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# **Kystens Mathus- An exploratory study of innovation potential and marketing strategy in food retailing**

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## FOREWORD

In the course of a University education, the Master's thesis represents the end of a chapter, and five years in higher education truly provides a solid foothold to leap into new and exciting chapters. During my five years in higher education, three of them were spent at the University of Stirling, Scotland. Gaining admission into the BCE Masters programme brought me back to Tromsø, and all in all, it has been a period filled with great fun, a lot of work, challenging times, and a lot of joy.

As expected, writing a Master thesis has been a long, and from time to time quite a challenging and demanding process. However, looking back it has also been great fun. It has been rewarding to bring together all the knowledge gained over the years into one solid piece of work.

Finishing a Master thesis would not have been possible without the help and support from many people. First of all, I would like to thank my supervisors Professor Lene Foss and Elin Merethe Oftedal, for providing loads of encouragement, guidance, and support. This could not have been done without you.

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I would especially thank Hilde, my beloved girlfriend and partner, for being patient and supportive during long hours of work in the afternoon, evenings, and weekends. Holding close to a full time employment as a Project Coordinator and Project Manager at Kystens Hus for the last months, at the same time working on my thesis has not been easy, but it has definitely been manageable and inspiring.

Tromsø, May 2014

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## Introduction

A new business centre for coastal related businesses and activities in Northern Norway, named Kystens Hus, has been initiated in Tromsø. Aimed to open in July 2015, Kystens Hus will not only contain offices, but also a high quality food hall, Kystens Mathus. Kystens Mathus aims to offer fresh food products, mainly within seafood, meat products, dairy products, fruit and vegetables, as well as local produce. Food halls offering high quality food products can be said to be an emerging trend in the Norwegian retail sector. Among several food halls, two of the most prominent ones are Mathallen Oslo and Torget i Bergen.

In common retail terms, a solid retail offer can be said to be the key to success. This means that retailers, as well as every business operating in a competitive environment, must have a strategy related to both innovation as well as marketing, which potentially can lead to success. For a food hall, such a strategy can be related to aspects such as product range, service level, fulfilling customer expectations, as well as other attributes associated with the marketing mix. Moreover, often central for food halls are products from local-, regional-, and small scale producers, and therefore, such producers can play a central role to the overall retail offer. However, a new concept must be seen in relation to the retail trends as this has implications in both an innovation and marketing perspective. Consumer and retail trends must be understood in order to be successful in the market. The business- or retail concept can both define what kind of innovation it is as well as dictate the outline of a marketing strategy. However, for a business- or retail concept, which are new or of a unique nature, innovation potential and how the concept will affect the market it is operating in can be challenging to foresee. This will also have implications towards implementing a successful marketing strategy.

This thesis aims to explore the coming Kystens Mathus from an innovation and marketing strategy perspective. The common view towards innovation often revolves more about technologies and product development, than the market and how an innovation can affect it. Other aspects of innovation, for example in relation to a retail format or retail offer, are often of a more intangible nature. Nevertheless, such innovations, which deal with the marketing mix and customer experiences, are of an equally important manner. Innovation in food retailing is a topic which is scarcely research, providing a viable opportunity to explore innovation in retailing from a theoretical perspective, based on Kystens Mathus.

Marketing strategy, both in business and retail terms is a popular area of research. Kystens Mathus, as any retailer is dependent on a solid marketing strategy to be successful and therefore, it is of interest to explore marketing strategy in relation to a food retail concept- Kystens Mathus. In the literature, research on food retailing has been most focused on “common” retailers such as supermarkets, convenience stores, and such, whereas retailers such as modern food halls, being an emerging trend in the market are less researched. This provides an opportunity to suggest a marketing strategy for Kystens Mathus, a unique retailer in Tromsø and in the Norwegian market, based on theory and qualitative data collected.

### ***The Norwegian retail sector***

Concerning Norwegian retail trends, constant changes have been present for the last decades, especially with regards to the retail value chain (NOU, 2011). In the 1970's, the retail trends were that suppliers and wholesalers were those with most influence with regards to what goods retailers should, and could stock. In addition, the food industry had distinct regional characteristics, where large wholesalers had an important role through agreements with Norwegian and foreign suppliers (NOU, 2011). During the 1980s the situation changed, the aforementioned strong regional characteristics in the food industry diminished due to stronger distributors offering highly promoted national brands aimed for the grocery market.

Furthermore, the retail store structure was still identified by several independent retailers, however, the creation of retail chain structures were on the rise (NOU, 2011). During the 1990s, the retail chain phenomena was fully developed, and the majority of independent retailers became part of a chain, resulting in the formation of four main retail chains, being Norgesgruppen, Coop, Rema 1000 and Ica, which serves as umbrellas for almost the entire food retail industry (Nygaard and Utgård, 2011). Due to this, those four chains control more than 99 per cent of products available to the retail market (NOU, 2011).

The result of the market dominance held by supermarket chains is that they can formulate strategic practises, with focus on products, volume, as well as economies of scale, which small-scale retailers and suppliers must follow (Borgen, et.al, 2005). One can based on this argue that those which are able to adapt to this practice are interesting for the chains, whereas those who do not, are less attractive. By looking at the retail situation in Norway, which apart from the retail chains can be said to be a highly competitive environment, it is evident that retailers such as food halls are valuable options for local- and small-scale producers' in order to gain higher market presence.

## ***Kystens Hus and Kystens Mathus***

Tromsø Municipality, Troms County, and the Norwegian Fishermen's Sales Organisation completed in 2006 a feasibility study around the establishment of a national coastal- and seafood centre in Tromsø. This study pointed out the need for such a centre and the future work was organised in the project “Det Norske Kyst- & Sjømatcenter” in order to establish such a centre. Following the feasibility study, the project was renamed “Kystens Hus”. Kystens Hus is now an ongoing process which will result in a new building to be constructed and completed in spring 2015 on the site of the previous “Domusgården” in the city centre of Tromsø.

Kystens Hus will be established as a centre for coastal- and seafood industries where key businesses, industry players and other stakeholders will form a broad and solid business environment. For Kystens Hus, key value- and focus areas will be: Fisheries and Aquaculture; Arctic- and coastal related agriculture; Food and cuisine; Coastal culture; Travel and adventures; Knowledge and innovation; and Business development (Kystens Hus, 2013).

When completed, Kystens Hus will consist of three main components: Firstly; offices for businesses operating within fishery, seafood, innovation and other coastal related business activities. Secondly; a showcase, aiming to be an arena for communicating important and relevant topics, such as academic research results, food culture and food related information, and Northern Norway/coastal related business activities, and thirdly; a commercial axis comprising among other things a modern, specialised, high quality food hall, Kystens Mathus. Figure 1 below visualises key business activities, which have been allocated into three axes central for Kystens Hus. Retail activities, such as Kystens Mathus, belong to the middle axis of activities (see circle).

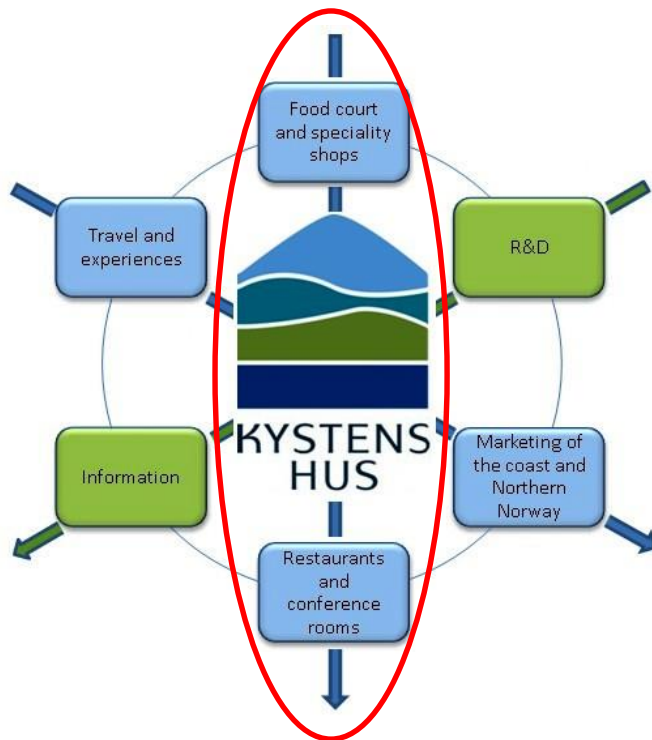


Figure 1: Kystens Hus axes of business activities. Source: Kystens Hus (2013).

Kystens Mathus as a company will be owned and managed by three of the largest actors within specialised food retailing in Tromsø; Mydland AS, A. Dragøy AS, and Fiskekompaniet Tromsø AS. These actors will create a new arena in which high quality food products representing Northern Norway, both from local-, regional- and small-scale producers will be the backbone of the retail offer. Ideally, the food hall will generate positive retail effects of a local and regional scope.

The food hall should be seen as informal and casual. The importance of being able to smell, taste, look and touch will be important since apart from the variety of products available, it will provide an additional and perhaps unique customer experience. It is essential that the product range reflect a broad customer base, which can be achieved by a combination of a wide range of products from blue and green sectors, including meat-, bakery-, and dairy products. Good selection and great location will make Kystens Mathus a natural place for the public and visitors to shop delicacies and other food products.

### ***Innovation and marketing in retailing: Developing research questions***

A key driver in order to either maintain a market position, or to expand into new markets, can be said to be innovation. The literature provides many different definitions of innovation,



however, Tidd and Bessant (2013, p. 19) view innovation as “*a process of turning opportunity into new ideas and of putting these into widely used practice*”. The same authors argue further that in order to drive innovation, one must have the ability to see connections, spot opportunities as well as to take advantage of them. Moreover, innovation is not only about creating new products or opening new markets, it is also about developing existing products and serving established markets in new ways (Tidd and Bessant, 2013).

The classic way to look upon innovation is how it relates to technology and market. Here, incremental vs. radical innovation and sustainable vs. disruptive innovation play a key role. Innovation can also be seen from a retail perspective. The two extremes of innovation is often said to be radical and disruptive. However, Reynolds and Hristov (2009) argue that innovation with regards to retailing and retailers fall between those extremes. What is interesting here is that innovation in retailing can be found in almost every aspect of the retailer and its operations, being linked to products, promotional activities, retail operations, in-store layout, and branding, to only mention a few. Even though innovation exists in retailing, there is a common notion in the literature that retail innovation is more often linked to sustainable innovation, than to the two extremes.

Linking this to Kystens Mathus, it becomes evident that innovation can be a key tool for retail success. Here, retail innovation will be essential, and the first research question this thesis aims to answer relates to this:

***RQ 1: Which type of innovation can a food retail concept be a part of, and how can the innovation potential for Kystens Mathus be identified?***

The retail sector can be said to be a highly competitive and fast moving marketplace consisting of a mix between larger and smaller retail chains as well as individual retailers. Even though there are major differences between the different sectors within retailing, the basis for retail survival is to acknowledge that retailers do not have a viable business without its customers and their need for products and services (Dawson, et.al, 2008). Retail characteristics are important as it forms the basis of customer evaluation (Dawson, et.al, 2008), which means that retailers must be able to change, adapt, and have a solid market orientation.

Consumers have often a wide range of preferences, and their purposes and reasons behind repeat purchase behaviour is often a result of a retailer (or retailers) being able to meet their

preferences and desires (Dawson, et.al, 2008). An important aspect to why some retailers are more successful than others is often linked to customer behaviour and responses to the store environment (Wright and Noble, 1999). Retailers interact directly with the consumer, which creates the need for retailers to be able to deliver the expected goods and services (Turley and Chebat, 2002). Product variety and assortment, product quality, service quality, price, and internal and external store environment are all aspects, which are crucial in terms of shaping customer experience (Terblanche and Boshoff, 2001). However, customer trends and perceptions change over time and a retailer will constantly be in threat of competitors and new entrants to the market.

The introduction of relevant retail/marketing theory shows that for Kystens Mathus to be successful, a viable and solid marketing strategy must be constructed and implemented. This creates the need to explore such a strategy, not only due to that Kystens Mathus aims to be successful, but also because there are currently no similar retailers in Tromsø. Therefore, the second and final research question this thesis aims to answer is:

***RQ 2: What could be a viable marketing strategy for Kystens Mathus, to become a commercial success?***

### ***Methodology and research design***

The body of existing research on food halls are subject to scarcity and therefore rich data will be highly valuable. Moreover, even if a vast amount of research on food halls existed, it could only have been related to Kystens Mathus to a limited extend. Local market characteristics and other retail issues are important and dynamic variables, which will be unique and dependant on the location.

RQ1 will be answered in the form of an academic article with a theoretical approach, based on secondary findings from journal articles and case studies. The reasoning behind this is the need to explore innovation-, market innovation-, and retail innovation literature in order to conduct a solid theoretical analysis of how Kystens Mathus is subject to innovation. A wide range of literature has been reviewed which forms the basis for the discussions, analysis and conclusion. The research topic has been extensively researched and the means of information streams utilised are mainly academic journals articles.

Based on the theoretical framework outlined, the innovation article moves on to assess what kind of innovation a food retail concept is, as well as identifying the innovation potential for

Kystens Mathus. Here, classic innovation theory; incremental vs. radical innovation and sustainable vs. disruptive innovation, as well as market innovations are important. In addition to this, retail innovation is key, and it will therefore be essential to explore what retail innovation is and how it relates to food retailing and Kystens Mathus.

RQ2 will be answered by means of an academic article in order to contribute towards the existing research within marketing on food retail concepts, especially on food halls. Here, central elements will be marketing strategy, branding and the marketing mix. In every academic marketing study, rich data is essential in order to gain an understanding of what the market is, what it wants, and how the market behaves. In retailing, knowing your customers are important for strategic decisions and common questions to ask is: Who are the customers? What do they buy? How do they buy? Why do they buy? These questions can be seen in relation to Kotler, et.al (2008) who states that marketers often lack the right kind of information, implying that they usually do not need more information, but better information, hence highlighting the importance of rich data.

Marketing research can be defined as *“the systematic design, collection, analysis and reporting of data relevant to a specific marketing situation facing an organisation”* (Kotler, et.al, 2008, p. 333). The research undertaken for RQ2 can be said to be academic research, which is similar to client-based research with regards to construction, analysis, and interpretation of the data, but differs in the way that the researcher himself can determine the topic and approach, and not by directions from a client (Kent, 2007).

In order to construct a viable marketing strategy for Kystens Mathus, data comprising expectations held by potential customers are regarded as essential. In order to capture such data, a qualitative research design has been chosen. For the purpose of the marketing strategy article, focus groups have been chosen as the appropriate mean of data collection due to the need to collect rich data from potential users of Kystens Mathus. Qualitative research can be said to provide answers on issues such as marketing strategy, consumer decision making, customer satisfaction, and product and concept development (De Ruyter and Scholl, 1998). It is of importance to highlight that qualitative research is often done in order to gain thorough insights from the target population on outlined issues (Kent, 2007). A marketing strategy is comprised of several elements, usually with a variety of importance, and a qualitative research approach can highlight the important areas, so one can eliminate areas of less importance.

Data comprising customer expectations, buying behaviour, pricing issues, variety of goods sold, and value creation, will be essential in order to construct a marketing strategy for Kystens Mathus. In order to capture the qualitative data, the chosen population is a number of potential customers of Kystens Mathus. The method of choice is to run two focus groups in order to capture insights into customer expectations. This approach has been chosen since it provides an opportunity to explore a new retail concept from both a theoretical and practical point of view, which can prove fruitful in terms of constructing a marketing strategy.

### ***Validity and contribution***

This thesis aims to provide a theoretical perspective towards the research questions. Even though topics such as innovation, retailing, and marketing are highly popular and researched, scarce research on food halls exist. It seems that academic research concerning innovation and marketing in a retail context have been more focused on retail formats such as supermarkets, convenience stores, and the manufacturing side of retailing. In food retailing, and especially regarding food halls, only a limited body of research can be found.

No retailer such as Kystens Mathus has previously existed in Tromsø, which makes it an interesting topic from both a business- and academic perspective. Even though the actors behind Kystens Mathus are well positioned in the market, they too will have to adjust for example by the means of supply chains and as well as product variety. This is both due to fulfil the purpose of Kystens Mathus, as well as to avoid cannibalising on their already established business activities.

Therefore, this provides a theoretical and practical case, which can combine existing research with new primary research, although of a limited extend. As this thesis will combine a theoretical and qualitative approach, it can also serve as a springboard towards future research aimed at Kystens Hus or Kystens Mathus. A solid qualitative study is often regarded as a preliminary stage for broader quantitative studies, which means that the suggested innovation type and marketing strategy can be tested on a longitudinal scale, with a national or even international scope.



## ***Overview***

The next two sections of this thesis will be formed as two academic articles<sup>1</sup>, one exploring innovation, and one on marketing strategy. The first article will be of a theoretical nature, reviewing existing literature and theory in order to discuss and conclude on what kind of innovation Kystens Mathus is, and its innovation potential (RQ1). Innovation theory is not only central for manufacturing- and technological firms. For retailers, innovation can be seen as means to remain a market position, to make a move within an existing market, or to a new market.

The second and final article will comprise of a literature review and qualitative research in order to suggest a viable marketing strategy for Kystens Mathus (RQ2). The preliminary discussions in this introduction have revealed that the retail sector is highly competitive, with an emerging trend such as modern food halls. Regardless of the trends, viable strategies have to be in place in order to be a successful actor in the retail market. Therefore, one can argue that Kystens Mathus will benefit from identified innovation potentials, as well as a solid and viable marketing strategy.

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## **Identifying innovation type for a food retail concept, and exploring the innovation potential- An exploratory study of Kystens Mathus**

### ***Abstract***

The common view towards innovation often relates to products and technology, and how it affects the market. An additional aspect of innovation is retail innovation, which implies maintaining a position in the market, adjust to market changes, and respond to competition. It is also found that retail innovation is highly linked to sustainable innovation. By reviewing the literature, this article explores Kystens Mathus by identifying innovation type and innovation potential. Findings suggests that Kystens Mathus as a retailer is subject to retail innovation, and potentially being a sustainable innovation.

Four areas of innovation potential have been identified in relation to Kystens Mathus: 1) Product innovation and implications relating to customer orientation in order to create a win-win-win situation. 2) Retail business models innovation; with focus on creating a unique and diverse retail environment, suitable for existing, new, task-oriented, and recreational-oriented customers. 3) Pricing and promotion innovation; with an exclusive price strategy, it is important to communicate its value over multiple channels. Communicating product value, in-store activities, and seasonal activities based on online and offline promotions are important in order to influence shoppers at the right time in their shopping cycle. 4) Innovation in brands and branding; Combining brand elements in order to create customer affections, brand image as well as expectations toward service and experience. These four elements are also found in marketing and retail strategy, thus implying that innovation and marketing is interlinked and can have an effect on each other.

Further research should commence after market introduction in order to conclude whether Kystens Mathus is a sustainable innovation or if it disrupts- or has the potential to disrupt the market.

Key words: Innovation; Sustainable innovation; Retail innovation.

## ***Introduction***

In today's competitive markets, companies continuously strive to maintain their market position and/or capture additional market share. A key driver in order to either maintain a status quo, i.e. maintain a market position, or to expand into additional markets, can be said to be innovation. Representing newness and renewal, innovation has an important position in many companies. If companies cannot change or upgrade their offerings, as well as the ways such offerings are created and delivered, survival and prospects for growth is put at risk (Bessant, et.al, 2005).

Kystens Mathus, an upcoming retailer in Tromsø, organised as a food hall, may be subject to innovation. However, as this article will explore, innovation can exist in many different forms, from the more extreme radical and disruptive innovations, to the more intangible, sustainable and retail innovations. In the case of retailing, innovation can be linked to almost every aspect of the retailer, its format, its strategy (i.e. marketing mix), and its operations. However, such innovations will also be highly dependent upon which market a retailer operates in, which customer segments it targets, and which type the retailer is.

In the case of Kystens Mathus, only a limited number of similar retailers exist in Norway, and it is also the first of its kind in Tromsø. One could argue that the modern food hall format is an emerging trend in the Norwegian retail sector. This can potentially lead to a changing retail sector in the long run. However, since innovation represents newness and renewal, such retail formats can provide interesting cases for research.

Due to the importance of innovations in relation to market and retailing, the aim of this article is to answer the following research question: *Which type of innovation can a food retail concept be a part of, and how can the innovation potential for Kystens Mathus be identified?*

The article will adapt a theoretical approach by using innovation literature in the theoretical analysis in order to answer the research question. The reason for this is that Kystens Mathus will not be open until July 2015, and it usually takes some time from an innovation has been made available until one can measure the effects of it. However, by doing a theoretical approach one can create a theoretical platform to test on later stages.

This paper continues as follow; firstly, an understanding of innovation and the concept of Kystens Hus will be provided, secondly, innovation in relation to market and retailing will be reviewed in order to form a solid theoretical foundation, thirdly, innovation in a Kystens



Mathus context will be discussed in order to explore innovation type. The last and final section in this article discusses the innovative potential to Kystens Mathus.

It is important to remember that Kystens Hus, and thus Kystens Mathus is under construction and will not be open for the public until July 2015. Therefore, the discussions included in this article is of a theoretical nature, based on the current information of Kystens Mathus, seen in correlation with marketing-, innovation-, and retail literature.

### ***Defining innovation***

The literature provides different definitions of innovation, however, a good starting point would be Tidd and Bessant (2013, p. 19) who view innovation as “*a process of turning opportunity into new ideas and of putting these into widely used practice*”. The same authors argue further that in order to drive innovation, one must have the ability to see connections, spot opportunities as well as to take advantage of them. Moreover, innovation is not only about creating new products or opening new markets, it is also about developing existing products and serving established markets in new ways (Tidd and Bessant, 2013). In line with this, Baregheh, et.al (2009, p. 1323) argue that “*organizations need to innovate in response to changing customer demands and lifestyles and in order to capitalise on opportunities offered by technology and changing marketplaces, structures and dynamics*”. This implies that innovation, as a concept and as a strategic instrument, can and must be seen from both a technological and market oriented viewpoint, resulting in that innovation in some form or another can be identified in almost any firm or organisation.

The common view towards innovation is often based on technology and one may argue that this is due to technological innovations are easily recognised. Nieto (2004) argues that technological innovations are comprised of activities that increase product innovation (capacity and ability to produce new goods and services) and process innovation (new/improved forms of production). Elaborating on the technological aspect of innovation, it is often looked upon as incremental or radical. Leifer, et.al (2001, p. 102) define a radical innovation as “*a product, process, or service with either unprecedented performance features or familiar features that offer significant improvements in performance or cost that transform existing markets or create new ones*”. One can look upon an incremental innovation as the opposite, i.e. minor changes to the product, for example in order to adapt to a changing market or to launch a product upgrade. Crossan and Apaydin (2010) argue that an incremental

innovation can be new to a firm, whereas radical innovations will be new to a market and perhaps new to a whole industry.

Even though the common view towards innovation tend to focus on highly visible innovations, such as new technology, innovation is also highly important in relation to the market. Such innovations are often less visible, or perhaps invisible innovations, for example a mean to maintain a competitive situation in the market, to gain additional market share, and/or increase customer retention and satisfaction. Market innovations are taking place every single day and in every business aspect, especially for those which deals directly with customers, such as retailers and service providers.

### ***Kystens Mathus- a brief overview***

Kystens Mathus will be a tenant on the ground floor in the coming Kystens Hus, located closely to the high street in Tromsø city centre. Kystens Hus's vision is to emerge as a powerful communicator of what the coastal areas and Northern Norway has to offer within food, agriculture, tourism, culture, science, and R&D. The aim is to contribute towards positioning Tromsø as a major player within coastal- seafood-, and Northern region issues, in a national and international context. When completed, Kystens Hus will comprise of three main axis of activity; (1) office space for coastal-, fishery-, seafood- and tourism related businesses; (2) a showcase and "public space" in order for visitors to be informed and learn about academic research results, food culture and food related information, and Northern Norway/coastal related business activities; and (3) a commercial axis, comprising among others, of a high quality, modern food hall- Kystens Mathus.

Kystens Mathus as a company will be owned and managed by three of the largest actors within specialised food retailing in Tromsø; Mydland AS, A. Dragøy AS, and Fiskekompaniet Tromsø AS. These actors will create a new arena in which local and regional small-scale manufacturers can be offered a chance to put their products into circulation, with the potential of generating retail effects of a local and regional scope. One could argue that a requirement for actors affiliated with the food hall, is to meet certain standards in terms of quality, aesthetics, and product range. In addition to optimising the retail offer to visitors, these requirements will also be aimed at ensuring a comprehensive profile of Kystens Hus.

Kystens Mathus should be seen as informal and casual. It is essential that the product range reflect a broad customer base, which can be achieved by a wide range of local and regional

products from blue and green sectors. Good selection of products and a great location will potentially make Kystens Mathus a natural place for the public and visitors to shop delicacies.

Kystens Mathus will be focusing on fresh food products, mainly within seafood, meat products, dairy products, fruit and vegetables, as well as local produce. In addition, the food hall could be an arena where small-scale producers can test their products in the market, which also creates additional diversity for the food hall. Emphasis is put on creating a diverse and customer friendly food hall, which offers a wide range of products from Northern Norway in particular, to a wide range of customers. Here, short travelled food is essential to the overall product range. In addition to the food products offered, Kystens Mathus aims to be looked upon as a natural meeting place, where people can shop, eat, and relax in a friendly environment. The aim is also to create a culinary experience where customers can have their senses stimulated by being able to look, taste, smell, and touch. By offering a wide range of products and product categories, the food hall should be the place to go when looking for something special.

### ***Innovations: market effects***

It can be argued that regardless of innovation type, exploiting an innovation will have an effect on the market. Therefore, a market will be affected by the outcome of the innovation process, as marketing and commercialisation is the final stage in the innovation process (Crossan and Apaydin, 2010). This section will explore the link between the market and innovations and the importance of market effects created by innovations.

Tidd and Bessant (2013) argue that technological possibilities are coupled with market opportunities, which means that innovative products are introduced to the market due to market pull, technology push, or a combination. Market pull means that the market demands an innovation, whereas technology push relates to an innovation being pushed to the market due to new technologies in products. Moreover, this can be related to the classic promotional strategy; market pull/market push (Kotler, et.al, 2008). Here, the notions behind market pull remains as above, i.e. the market demands a product or innovation, whereas market push means that new products are pushed through promotion channels to the end user. A well-known fact is that several companies have grown substantially due to they manage to offer products which the market initially did not know it wanted. An example here is the U.S chain Whole Foods Market, which sells high quality, natural, and organic food products (Whole Foods Market, 2014). One can argue that this retail chain was initially pushed into the market

due to the lack of similar concepts and thus lack of customer awareness around such concepts. Furthermore, an interesting point here is that after the introduction of the Whole Foods Market concept, the market became aware of it, thus it can be argued that the expansion throughout the U.S as well as their internationalisation can be linked to market pull.

Innovation can also be looked upon from a classic marketing point of view. One can say that the core of marketing is focusing on the needs of the consumers. A key tool in marketing is the marketing mix, i.e. the 4P's; product, price, place and promotion, and according to Tidd and Bessant (2013), the 4P's can be subject to innovation. They argue that product innovation can result in new or improved products and services, potentially changing the basis for competition; Premium pricing can be a result of product innovation, and price leadership can be a result of process innovation; Innovations in logistics, i.e. distribution channels and sales points, can have an impact on how products and services are made available in the market; And opportunities for promotion can come from innovations within media.

Christensen, et.al (2005) argue that if marketers are able to understand their customers, products can be designed (i.e. innovated) which specifically solves identified "problems". Furthermore, as understanding customers are a part of marketing orientation, the view discussed by Christensen, et.al (2005) has been researched for several years, implying that research conducted both prior and after Christensen, shows similar results. Kleinschmidt and Cooper (1991) shows that product innovativeness has a strong impact on new product performance. Highly innovative products and innovative new product lines do well with regards to overall success in the market, it open new windows of opportunities, as well as meeting projected sales and profit objectives. In addition, non-innovative products, such as modifications and revisions, also perform well with regards to return-on-investment and domestic market share. This is further backed up by Grinstein (2008), who argues that customer orientation can be used successfully in order to develop innovative products. The same research also showed that in an increasingly competitive environment, firms could utilise their market orientation in order to get an edge over competitors in innovation.

It is evident that technological- and market innovations are interlinked as it will affect both. This can be said to be due to the technology push and market pull discussion, implying that a market will often respond to innovate products. Furthermore, it is clear that marketing strategy, either in correlation with the marketing mix, or with marketing orientation, have an impact on innovation and how it affect the market. The literature is favourable towards



marketing orientation as a tool in order to understand the market and to implement either minor innovative products such as product improvements, or brand new, highly innovative products, new to a market. Interestingly, this has made it clear that an innovation can either be adapted to the market or the market can adapt to the innovation.

### ***Sustainable vs. disruptive innovation- the key to market?***

In order to fully understand how a market reacts to an innovation, the sustainable- disruptive dimension must be taken into consideration. This dimension looks specifically on how an innovation affects a market. However, in order to clarify, the literature often refers to technologies as sustaining or disruptive (e.g. Danneels, 2004; Kassicieh, et.al, 2002). For example, Danneels (2004, p. 249) describes a disruptive technology as “*a technology that changes the bases of competition by changing the performance metrics along which firms compete...New products based on a disruptive technology have different attribute sets than existing products*”. However, Thomond and Lettice (2002) define a disruptive innovation as a product, service or business model, which transforms current mainstream market demand as well as disrupting former key players. This definition is in line with Slater and Mohr (2006) who states that technological innovations can be seen as one type of disruptive innovation.

It can be argued that when researchers are referring to a disruptive technology, they refer to a disruptive innovation based on technology. This is in line with Raymond (2010) who argues that a radical innovation does not have to be disruptive, implying that disruptive innovations can spur from both incremental and radical innovations (technology). Sustainable innovations on the other hand, do not affect the market in any major ways. Raymond (2010) has constructed a technology vector model in order to explain and visualise how an innovation can disrupt the market. A new innovation needs time to build market presence and when the innovation has reached the mass market- the commodity market, a disruptive effect can take place which increases the substitution from other technologies to the new one.

The same authors argue further that it is of importance to distinguish between a radical and disruptive innovation since a radical innovation does not have to be disruptive. Even though brand new technology has been introduced, it may not necessarily create any major changes in the market. In addition, a disruptive innovation can also spur from a lower functional technology (Raymond, 2010). Even though Thomond and Lettice (2002), and Danneels (2004) research is prior to Raymond, both argue in line with Raymond that disruptive

technology initially only satisfies a niche market, but over time, the product will be situated in the mainstream market, cannibalising on existing products and technologies.

Research conducted by Kassicieh, et.al (2002) is valuable towards understand the differences between sustainable and disruptive innovations. They argue that firms interested in sustaining technologies seek market growth and therefore, strategic issues such as distribution channels are important. The same authors go further and argue that companies wanting to commercialise disruptive technologies accept that growth is further away and therefore focuses on external innovations and research sources, hoping for a market shift in the future. In support of this, Slater and Mohr (2006) argue that a typical industry leader appeals to the mainstream market (mass market), by means of continuously meeting customer needs. Such companies usually develop sustainable innovations as they only implement minor product modifications. On the opposite, new entrants in a market or industry are those, which often try to implement disruptive innovations.

### ***Innovation in retailing***

The above discussions regarding innovation in relation to market and technology, as well as radical- and disruptive innovation can be looked upon as the extremes of innovations, i.e. representing each end of an innovation scale. Despite these paragraphs being of a more general, informative nature, they do provide some key insights into the different views of innovations. Interestingly, it seems that a major body of research on innovation are linked to one of these extremes. Therefore, one must ask how this can, if possible, be related to Kystens Mathus. In order to do so, defining a food hall is of importance. By asking what a food hall is, one too evident answer comes to mind, namely that regardless of type, scale, strategies, and products different food halls may represent, a common denominator exists. Food halls are trading in a retail environment, and therefore, one can define a food hall as a retailer, justifying that retail innovation should be explored.

Peterson and Balasubramanian (2002) argue that traditional retail definitions are often too ambiguous, that it often only cover store-based selling activities, and therefore, they shy away from generating an overall retail definition. A reason for this can be that retailers face a changing role and nature as well as an altered economically and socially position (Dawson, et.al, 2008). Elaborating on this, Dawson, et.al (2008, p. 3) argues that retailers differ significantly and often through:

1. *Its relationship with final customers and thus its need to respond to the local culture in various ways;*
2. *The spatial disaggregation and dispersed nature and sometimes extensive network of operations (e.g. shops);*
3. *The requirement to bring together a large number of items to provide an extensive range of products and services for customers;*
4. *The ways in which operations are financed through working capital and the low levels of profit generated per individual activity (e.g. a transaction or other input measure).*

Can it be argued that the above points can be subject to innovation? Yes, indeed. However, this relates back to the previous argument that radical- and disruptive innovation is representing the extremes within innovation. Research conducted by Reynolds and Hristov (2009), argue that innovation with regards to retailing and retailers fall between those extremes. One can based on this argue that each retailer, or retail chain, will be subject to various degrees of innovation, and therefore, one cannot generalise on innovation type. For example, Zien and Buckler (1997) argue that companies which are innovative often develop several ways to interact with its customers, and therefore, one cannot point out one single best way to do this. However, some common characteristics for retail innovation have been identified. Companies which operate in a service-driven economy, often seeks innovations which can create value for existing customers, attract new customers as well as to increase overall competitiveness (Ford, et.al, 2012). The same authors argue further that companies which have been successful in developing sustainable innovations have also realised the importance of co-creation with their customers. Shankar and Yadav (2011) argue towards innovation in retailing being linked to business models, retail store formats, technology, as well as new ideas and concepts in order to achieve growth. Reynolds and Hristov (2009, p. 320) argue that innovation characteristics for retail firms may include:

- *Acting as innovation hubs in the value chain, deciphering expressed or latent consumer needs and communicating them upstream to suppliers.*
- *Operating in an environment in which innovations can be easily copied. Such environments cause innovating retailers to work covertly, or start small and develop innovations incrementally.*

- *Relying upon retail innovation, which may be predominantly non-technological in nature. Whilst technology is important in retailing, it appears to have a smaller role in relation to innovation than in other sectors.*
- *Often experiencing a reverse innovation cycle, in which- unlike in manufacturing- financial and organizational costs attached to retail innovation are lower at the beginning than at the end, following perhaps an extended roll-out.*
- *Finally, displaying hybrid characteristics which can make some retailers more than purely service businesses. Some may be vertically integrated, whilst others may share an approach to product innovation (for example in relation to own brands), which is close to that of manufacturers.*

What is interesting here is that innovation in retailing can be in almost every aspect of the retailer and its operations. Moreover, a linkage to technology and market is present, as the bullet points above show that retail innovation can also deal with both technology and the market. In addition, one gets an idea of how retail innovation is somewhere between the extremes; radical innovation and disruptive innovation.

A classic topic of innovation is related to product innovation, and this is also the case for retailers. Two views exist when discussing product innovation; highly innovative products, which are new to the market, and less innovative products which are more familiar to the market (Kleinschmidt and Cooper, 1991). This view is transferable to the sustainable vs. disruptive discussion, and even though it does not comprise food products directly, it provides an insight into product innovation strategies. Food products are highly important for Kystens Mathus, and a genre of food products are traditional food products, which are products recognised by customers as having regional identity as well as sensory quality (Guerrero, et.al, 2009). Moreover, innovation in traditional food product has been found to be related to novelty and change (e.g. new ingredients or packaging), variety (e.g. different ingredients, package- shape, and size), processing and technology (e.g. industrial food processing), origin and ethnicity (e.g. ethnic food and imported products), and convenience (e.g. lifestyle, pre-cooked, etc.) (Guerrero, et.al, 2009). An important notion here, which also is important in relation to Kystens Mathus, is that when it comes to products, successful product innovation often relies on both a customer orientation and competitor orientation (Grinstein, 2008).

Closely related to product and product innovation is retail pricing and promotion, and subsequently innovations in retail pricing and promotion. For retailers operating in markets where product similarity is high and where product innovation has minor effects, a way to differentiate is through innovating price and promotion strategy. Such innovations can often provide opportunities to effectively target customers in both an online and offline environment (Grewal, et.al, 2011). Price promotions are a common tool for retailers to attract customers as well as increasing market share. Therefore, creating a pricing strategy that achieves this is of highly importance. Moreover, promotional activities can include several aspects, both in the online and offline environment. For example, to be able to design the right message to the right customer segment(s), to be communicated by means such as flyers, special offers, sales, loyalty programmes, and use of colours (Grewal, et.al, 2011), can be closely linked to innovation. Even though this represents retail innovation, it is also closely linked to sustainable innovation as such means are often implemented in order to maintain a steady customer base as well as to achieve the aforementioned; to attract customers as well as increasing market share.

A form of innovation within retailing is business model innovation. Such innovation revolves around building strategies, which best can serve customers and add value to the company, comprised by elements such as retail format, retail activities, and retail governance. These three elements are important concerning the process towards creating and fulfilling customer experiences and expectations towards in-store activities, goods and services sold, as well as the actors involved in creating and delivering the customer experience (Sorescu, et.al, 2011). However, the same authors go further by arguing that innovation in retail business models is critical towards building a sustainable advantage and market position. Linking this to the previous innovation dimension discussion, it is evident that such retail innovation can also be regarded as sustainable innovation.

Even though the literature does not substantially cover branding in a retail innovation context, it is nevertheless an important aspect to explore. In the fast moving consumer market, a vast number of brands compete for their share in the market place. To be competitive, a company's products and services have to fulfil customers' tangible and intangible requirements, implying that companies must have the ability to understand what a brand can do for customers as well as understand what the brand means to customers (Haigh and Knowles, 2004). Brands have become so important that firms often regard them as highly valuable intangible assets (Keller and Lehmann, 2006). This is further supported with findings

by Haigh and Knowles (2004), who argue that one reason behind the need for strong brands is caused by the availability of a vast number of similar products and services in the market. This can be related to a food retail context as well as Kystens Mathus, as strong brand image and brand recognition will be essential in order for customers to form an initial, basic idea of Kystens Mathus. It can therefore be argued that such innovation can be linked to brand elements, and usage of these. Identified by Keller, et.al (2008), the main brand elements are names, logos, symbols, URLs, characters, spokespeople, slogans, jingles, packages, and signage. Zaichkowsky (2010) identifies colour as an additional brand element. Moreover, these elements play an important role in building brand awareness, which in turn leads to brand equity. A set of six criteria must be considered when choosing and managing brand elements; 1) memorability- being recognised and recalled with ease. 2) meaningfulness- have a meaning that enhances brand associations. 3) likeability- have a rich visual and verbal imagery, being fun and interesting as well as providing an aesthetic appeal. 4) transferability- being able to transfer across product categories, cultures and geographic boundaries. 5) adaptability- being adaptable and flexible so updates can be applied with ease. And 6) protectability- being able to protect the brand element in both a legal and competitive way (Keller, et.al, 2008).

The above discussion regarding areas of retail innovation coincides with research conducted by Anitsal, et.al (2011), who argues that an additional innovative trend in retailing is the use of gift cards. Furthermore, retailers can accommodate a variety of customer needs and want by offering unique gift cards, and that such a strategy can satisfy consumers' gift-giving rituals as well as reinforce brand awareness, logo recognition and customer relationships (Anitsal, et.al, 2011). One can argue that all this is also in line with the argument that the retail sector is focused on incremental product innovation and incremental service innovation Oke (2007). Despite this, retail innovation can be of various degrees. For example, Costa and Fernandes (2006) have constructed a scale visualising the "degree of innovation" which classifies retail innovation in terms of being an "adoption" (low degree of innovation- adopting existing concepts), "adaptation" (medium degree of innovation- adapting existing concepts) or "new to the world" (high degree of innovation- developing new concepts). This implies that the innovation scale by Costa and Fernandes (2006) can be seen in relation to the above identified areas of retail innovation, meaning that the degree of implementation of those areas affects where a retailer is positioned on the "degree of innovation" scale.

### ***Kystens Mathus- what kind of innovation?***

The above section shows that retailers can be innovative, however, one also gets the notion that the majority of innovations implemented in the retail sector are of a sustainable nature. This sections will based on the above innovation discussions explore what kind of innovation Kystens Mathus as a food retail concept can be a part of.

In accordance with Tidd and Bessant (2013) the classic innovation space exists of four P's; product innovation- changes in products /offerings; process innovation- changes in how an offering is created and delivered; position innovation- changes in how a product/offering is introduced; and paradigm innovation- changes in how a company frames what it does. Retail innovation on the other hand, does not belong solely to any of these four dimensions, but are closer linked to market innovation. One can, however, expect elements from some of the four dimensions to be found in retail innovation, depending on the type of retailer and in which market it operates in.

From an innovation point of view, Kystens Mathus does not comprise of any high technological innovations. Here, established actors in the market bring in their knowledge in order to establish a successful modern food hall. However, one can potentially relate the food hall to technological innovations if one looks at specific internal elements of it. For example, an efficient payment system has to be in place, perhaps an automatic system used for stock monitoring and efficient storage system is needed. Keh (1998) argues that when technology is referred to in a retail context, it can be defined as the technology involving logistics, store algorithms, and routine store operations. Interestingly, this definition covers almost every aspect of retail operations; movements of goods, shelf- and floor space optimisation, climate control, inventory management, and stocking (Keh, 1998). To some extent, these innovations can all be related to process innovation, although incremental in the nature.

One can argue that the food hall could sell products online as well, and potentially be subject to e-tailing, since the emergence of electronic retailing, i.e. selling goods and services to the consumer market via the internet, has been rapidly increasing (Wang, et.al, 2002). Referring back to the four P's of innovation, e-tailing can also be regarded as process innovation. E-tailing, i.e. online shopping can be classified as a radical process innovation (Tidd and Bessant, 2013). However, one may argue that nowadays, e-tailing is so common that it cannot be regarded any longer as a radical innovation. In the case of Kystens Mathus, where an e-tailing strategy can be seen either as a way to affect market behaviour or a way to adjust to the

market, it would be referred to as an innovation of an incremental nature. Despite this, it is important to acknowledge that technology is highly important for retailers. However, in the case of Kystens Mathus, evidence of any radical technological innovations planned to be implemented has not been found. One can therefore argue that any technological innovations will be incremental in the nature and will not be given any more attention in this paper.

The interesting innovation discussion concerning the food hall is related to the market, in other words the sort of innovation, which the food hall represents, must be looked upon from the sustainable-disruptive dimension. Kystens Mathus will be offering goods and services in terms of food products and experiences, and can therefore, as stated above, be regarded as a retailer. According to Sorescu, et.al (2011, p. S3) *“retailing practice is increasingly encompassing a broader range of activities as retailers expand the boundaries of their target markets and develop new ways for interacting with customers and channel partners”*.

Interestingly, one can see similarities between this quote and position innovation, which relates to changes in how a product/offering is introduced and how/where they are targeted (Tidd and Bessant, 2013). A different view towards retail innovation is presented by Reynolds and Hristov (2009), who has researched innovation barriers for retailers, starting on the notion that retailers are less innovative compared to companies in other industries. Findings suggest that barriers are in general perceived low from the point of view of retailers. However, findings also suggest that retail innovation is often non-technological in nature and that innovations are developed incrementally. This result can also be argued towards sustainable innovation.

There is no doubt that innovation in retailing are often in the nature of sustainable innovations. However, the question asked should be whether this relates to Kystens Mathus. Since the food hall can be regarded as a retailer and that retail innovation can be in the nature of sustainable innovation, one can argue that the food hall initially may as well be regarded as a sustainable innovation. Looking at the Norwegian market for food halls, some exist already, for example Mathallen Oslo (Vulkan) and Torget i Bergen. They represent similar businesses, but larger in scale, and are comparable with Kystens Mathus. Furthermore, there already exist some varieties of food halls both in Norway and internationally, which to some extent is similar to the coming Kystens Mathus. Therefore, the only way that the food hall as an innovation can be something else than a sustainable innovation, is if it over time disrupts the market, in other words, are able to significantly change customer buying patterns and behaviours. Indeed, the food hall could potentially be disruptive to some extent due it is the



first of its kind in Tromsø as well as the location is highly favourable as it will be in close proximity to the high street. Furthermore, as a major part of the commute traffic passes Kystens Hus, one could potentially foresee some changing buying behaviour. However, this is highly theoretical, since research on retail innovation is drawing lines towards sustainable innovations, and that sustainable innovation also creates less risks and uncertainties, as well as being more directly oriented towards the market, as discussed earlier.

Kystens Mathus must also be seen in relation to the general retail sector in Tromsø. Tromsø as a small to medium sized city have several malls, which attracts a high amount of potential buyers. This goes under the classic retail discussion of high street vs. malls. Here, malls and out of town shopping are said to play a major role towards the end of the high street dominance (which means that malls can be seen as disruptive innovations). This notion is also evident in Tromsø as one can see today that the high street is mainly comprised by speciality shops, whereas the larger chains are mainly located in the malls. Even though there are exceptions, the overall split between specialist shops and larger retailers are as described above. By following this line of thought, the food hall could be regarded as disruptive if it ends up playing such a comprehensive role towards the high street situation, that it changes retail buying behaviour and retail thinking towards location, by bringing additional life to the high street.

A retailer is explicitly depended on customers, and therefore, changing customer perceptions towards buying behaviour, will have an impact towards innovation type. However, this discussion is highly theoretical since a well-known fact is that Mathallen Oslo for example, has not managed to disrupt the market, and have even had issues towards getting enough customers to visit. This is an additional point, which supports the argument towards Kystens Mathus as a sustainable innovation. For Kystens Mathus, one can predict that the majority of time used on strategy will be focused on capture market share, establish a market position as well as being able to adjust with the market. This is also in line with the previous marketing orientation discussion, where research suggests that being market orientated also can be linked to minor innovations, i.e., sustainable innovations.

Even though the food hall is subject to retail innovation and that it can be regarded as a potential sustainable innovation, it is important to stress that sustainable innovation is key in order to stay competitive and be able to easily move and adjust with the market and potential uncertainties. The long-term goal of Kystens Mathus is to be successful, and in retail terms,

that is to have a positive profit, which pleases the stakeholders as well as creates opportunities for further developments. It can further be argued that since the food hall is a complex entity comprising of actors, which will be offering a range of diverse food products, the food hall will cause interest, hopefully with positive synergies favourable towards the classic high street dilemma. However, it is difficult to conclude how this will affect the innovation type. A common retail trait is that revenue fluctuates on a daily, weekly, and seasonal basis and one would expect that when Kystens Mathus opens, interest would spike, however, a state of normalisation will commence after, what can be called the initial new-entity buzz.

Through the above discussions, an attempt has been made to identify the innovation type of Kystens Mathus. In addition, it has made it clear that retail innovation have ties to both the technological aspect and the market aspect of innovation. Therefore, as stated above, one cannot generalise on retail innovation. Moreover, attempts have been made to link Kystens Mathus to the four P's of innovation. Here, evidence supporting aspects of process innovation was found. In addition, position innovation is also present due to the focus retail innovation have on the market. Product innovation in retailing will be central for Kystens Mathus and has been identified as an innovation potential in the next section. This implies that Kystens Mathus as a food retail concept is part of retail innovation, with elements from market-, process-, position-, and product innovation.

As in the case of Kystens Mathus, it has been revealed that sustainable innovation can be closely related to retail innovation, resulting in that Kystens Mathus can potentially be regarded as a sustainable innovation. With this in mind, one can only theorise in the current time on the innovation potential of Kystens Mathus. One can assume it to be of a sustainable innovation, however, it is difficult to predict how the market, in terms of consumer perceptions and purchase behaviour, will react to Kystens Mathus. Therefore, over time, the food hall has a potential to also disrupt the market, i.e. being subject to disruptive innovation. Regardless of innovation type, there are still innovation possibilities. These possibilities are linked to aspects of retail innovation, as well as innovation related to market.

### ***Identifying the innovative potential for Kystens Mathus***

The above sections have identified that Kystens Mathus is subject to retail innovation. Retail innovation is usually interlinked with sustainable innovation, but never the less, identifying the innovative potential for Kystens Mathus is important. The above discussions put focus on innovation in context with products, price and promotions, branding, as well as retail business

models. It is important to notice that in a retail context, business models are often focused about the store environment, and thus how to create customer experiences.

In order to identify the innovation potential for Kystens Mathus, an innovation map can be used to form a basic understanding. The concept of innovation map was initially introduced by Petrusson (2004), where he argues that *“the purpose [of an innovation map] can be to visualize which substantial elements in an innovation have been successfully constructed and /or are most likely going to be constructed”* (Petrusson, 2004, p. 186).

The model constructed by Petrusson (2004), was initially intended for innovations of a technological nature. However, the idea to map out innovations that have been successfully constructed and those which potentially can be constructed, are a valuable tool also for identifying the innovative potential for Kystens Mathus.

The table below represents an innovation map for Kystens Mathus, consisting of elements which have been identified as implemented and elements which create an innovation potential:

<b>Identified implemented elements of innovation, favourable towards commercial success</b>	
IPR	Trademark/name mark
Products	A vision to offer a variety of locally and regionally sourced products
Price	Premium priced in order to communicate quality and uniqueness
Actors	Experienced actors with several decades of operating in the high quality, specialised food market
<b>Identified innovation potentials, favourable towards commercial success</b>	
Products/Traditional Food Products	As earlier discussed, traditional food products have consumer perceptions favourable for Kystens Mathus. It is of importance to identify the correct product categories in order to truly create an unique and modern food hall
Retail Business Models: 1. Retail format	1. Retail format is closely link to the retail mix, which in short represents product assortment, pricing strategy, store format, customer interface, and location. Even though some of these elements already have been mentioned, it is evident that retail innovation is an integrated discipline. It all comes down to creating a unique and fulfilled customer experience

2. Retail activities	2. All activities which must be in place in order to fulfil customer experience, for example stocking the right amount of products, volume, JIT, and service deliverance
3. Retail governance	3. Goods, services, and other retail activities are not enough to truly fulfil customer requirements and create customer experience. Employees must take a part of this, as well as all retail mechanisms must act together in order to create the expected, and perhaps above the expected customer experience
Price and promotion	Potential price strategy already established, however, combining pricing and promotion is crucial in order to be able to communicate price strategy, as well as to construct promotional campaigns and activities which attracts both existing and new customers in intriguing ways
Branding	As discussed earlier, branding can be linked to retail innovation due to the importance of combining the correct mix of brand elements

Each of the identified innovation elements favourable towards commercial success will be discussed in turn.

As discussed earlier, Kystens Mathus will stock and sell a wide range of local and regional high quality food products. A valid innovation potential here is to not only stock the products which are expected, but to try to utilise the seasonal varieties, mix products in pre-packed baskets, and also bring in products which cannot be found elsewhere in Tromsø retail sector. This combined with the notion of traditional food products and the meanings and associations behind this, can truly create a potential for product innovation. It is also important to mention that there could potentially be an additional aspect to this. If Kystens Mathus is able to fulfil its vision, a synergy effect could be that the small-scale producers get the chance to further innovate their own product ranges, which in turn will benefit the product range on offer in the food hall. A way to both identify product demand as well as potential for product innovation is to have a customer oriented focus, since market information can affect new product development and performance in a positive manner (Grinstein, 2008). With a solid market orientation, Kystens Mathus can communicate to its suppliers (manufacturers) which new products could be stocked or developed. This can from a shopper marketing perspective create in the long run a “win-win-win” situation (Shankar, et.al, 2011), benefiting the

manufacturers/suppliers, Kystens Mathus and the customers. In addition, one can create a market place where both more and less innovative products are offered. A potential positive outcome of this is that more innovative products can create opportunities for differentiation as well as competitive advantages, whereas less innovative products are more familiar, thus reducing uncertainty as well as increasing rate of success (Kleinschmidt and Cooper, 1991).

This paper has not focused too much on retail business models as an overlying strategic tool, however, more focus have been put on the elements, which often are associated with such models, namely retail format, retail activities and retail governance. It is evident from the table above that a key word unifying all three elements is the importance of creating satisfied customers by fulfilling customer expectations as well as to create unique customer experiences. Retailers that have recognised the importance of this, usually allocate substantial resources to store design, merchandise presentation, and retail activities (Kaltcheva and Weitz, 2006). For Kystens Mathus, two important innovative aspects to creating customer experiences, thus creating value for customers, are customer effectiveness and customer engagement (Sorescu, et.al, 2011). The same authors identified that customer effectiveness traditionally was implemented as a tool to create assortment depth. The innovative aspect here is that depth of assortment can be determined by means of co-creating with customers and suppliers. Customer engagement on the other hand, relies traditionally on advertising. The innovative aspect here is to create value-added tie-ins, such as sourcing from sustainable sources, implementing sustainable business practices, as well as embedding products into an overall store experience. In order to relate this to Kystens Mathus, creating solid and unique customer experiences is key to innovation as well as overall success. Creating a scene where the focus on the products can be combined with experience, can create a new and innovative layer to the retail setting (Sorescu, et.al, 2011). Moreover, by differentiating the experience between the two main groups of consumer shoppers; task-oriented consumers and recreational-oriented consumers (Kaltcheva and Weitz, 2006) Kystens Mathus can attract, maintain and satisfy a wider range of customers. One can argue that this will be a new experience also for the retail setting in Tromsø, which can have long-term, positive implications for the high street, Kystens Mathus as well as positive implications and synergies towards small scale, local and regional food product manufacturers.

As discussed earlier, pricing strategy and promotion strategy is often interlinked. In regards to the food hall, pricing will potentially be set on an exclusive level due to the high quality and uniqueness of the products on offer. However, in order to have a potential for innovation here,

promotional activities must be of such a nature that it not only supports the pricing strategy, but also communicates product value, in-store activities, and seasonal activities, by utilising a multi-channel strategy, in other words, formulating a cross-promotional strategy (Shankar, et.al, 2011). Such a strategy can be based on both online and offline promotions (e.g. direct mail, Facebook, webpage, flyers, newsletters, and informative menu boards). The importance of this is that the food hall should aim towards influencing shoppers at the right time in their shopping cycle, which can be achieved by promoting through the right channel to the right shoppers (Shankar, et.al, 2011).

A successful customer relationship will result in a close brand- consumer relationship, which in turn is necessary for achieving success in a long-term perspective (Luk and Yip, 2008). The importance of brands and the relationship between brands and consumers have resulted in brands being used by consumers as a mean to express their identities. A good brand experience, which is amplified by a mix of brand elements, may indeed affect customer satisfaction in a positive way (Zarantonello and Schmitt, 2010). Consumers interact with a given brand on multiple occasions during initial search, purchase, and consumption of a given product. Consumers will regard these interactions as different kinds of experiences, allocated in three main categories: 1) product experience; interaction with a product, 2) shopping and service experience; interaction with a shops' environment, personnel and policies, and 3) consumption experience; when consumers consume a product (Brakus, et.al, 2009).

Furthermore, a brand name alone can be enough for consumers to form impressions of the brand, even before interacting with any products, leading to an interference with the development of a brand experience (Yeung and Wyer Jr., 2005). This means that Kystens Mathus as a brand can create affections and feelings from both existing customers and potential customers. Therefore, the overall communicated brand image must be in line with expectations and experiences. The innovative potential here is that Kystens Mathus can by doing this, create an entity which is not only popular amongst its customer segments, but can also be a name affiliated with Tromsø and the region, both in a local, national and tourism related context.

One may argue that the Tromsø retail sector is densely populated with actors from the larger retail chains to the smaller specialists. This means that the retail sector is already a competitive environment, implying that if Kystens Mathus is truly to live up to its innovative potential, the degree of innovation must be identified. Linking back to the scale of “degree of innovation” presented by Costa and Fernandes (2006), one can argue that Kystens Mathus can

currently be viewed as a retailer of a medium degree of innovation, being an “adaptation”. This implies that the food hall will most likely adopt current retail concepts, as well as adapting to local customer needs. Moreover, if implemented retail-, marketing-, and innovation strategies results in the food hall becoming an entity unique for not only Tromsø retail sector, but in the Norwegian retail sector as well, a long-term effect of Kystens Mathus could be that it becomes a “new to the world” innovation. An implication of this could be that Kystens Mathus is used as models for constructing similar retailers in different parts of Norway. However, this is also a highly theoretical assessment, as it is difficult to predict the success, and therefore the degree of innovation and innovation potential for Kystens Mathus.

A reference point of how successful and differentiated a new retail format can become, one can once again look at Whole Foods Market in the U.S., which managed to build up a sustainable international retail chain based on natural and organic food products. Whole Foods Market has been highly innovative in areas such as product quality, socially responsible products, sourcing awareness, focus of local produce, and dedication to community and the environment (Whole Foods Market, 2014). By continuously focusing on these areas, they have become a market leader in their segment, and even though this does not relate directly to Kystens Mathus, one can use it as a point of reference regarding the importance of being innovative and doing business in new ways, in an ever-crowded retail sector.

### ***Implications for future research***

Retail innovation can be said to be a complex and partially vague topic, firstly because it deviates from the classic innovation types and innovation extremes (i.e. technological innovations and radical vs. disruptive innovations), meaning retail innovation is less tangible and visible. Secondly, retail innovation can be linked to every aspect of a retail format, which implies that defining retail innovation has proven to be difficult as no definition, which explains the phenomena in a sentence or two has been found. Some authors have tried to define innovation in retailing, with the result of constructing a list of retail innovation characteristics. Therefore, research on retail innovation should be in focus in order to fully understand its implications as well as to form a solid definition.

As found, one can argue that Kystens Mathus can be linked to sustainable innovation. This has been supported by evidence stating that retail innovations often comprise of maintaining a position in the market, adjust to changes, and respond to competition. In spite of this,

discussions regarding to what extent Kystens Mathus can disrupt the market, will most likely be inconclusive at the time, as one can currently only theorise on innovation potentials and its effects. This will be the case until the retailer has been in business for a longer period of time. Therefore, this implies that this article can be used as a starting point for longitudinal studies analysing not only the innovative potential found in food retail concepts, but also the effects such retailers can have on the market- will it be a sustainable or disruptive innovation? An interesting addition to this is that similar food retail concepts such as Kystens Mathus do exist on a few locations in Norway. An innovation study of Kystens Mathus can be used as a reference point on studies on similar food retail concepts in Norway, and one can theorise that such research can result in a new innovation model which solely focuses on the effects such innovations have on a market. Such a model can be seen as an addition to the current innovation models, which often focuses on the technological aspects of innovations.

### ***Conclusion***

This paper started with a discussion on how an innovation is often related to products and technology. It was therefore of importance to establish that innovation theory also can be applied in different contexts. Also addressed was the incremental-radical vs. sustainable-disruptive dimensions of innovation. Here, it was argued that the incremental-radical dimension deals with the technology, whereas the sustainable-disruptive dimensions deals with the market and the effect innovations have on the market. Moreover, research suggests that radical innovation and disruptive innovation represents the extremes of innovation. It was also found that a radical innovation is not needed in order to disrupt the market, since this can be achieved by an incremental innovation. Moreover, a product or technology has to move from a niche market to the mass-market in order to disrupt it. Sustainable innovation was also found to be common with regards to the marketing mix, marketing orientation, and retailing.

Based on the innovation discussion, Kystens Mathus has been identified as a retailer, subject to retail innovation, as well as potentially being a sustainable innovation. However, one can at the current time only theorise on innovation type until one can analyse the effects Kystens Mathus has on the retail sector in Tromsø. However, retail innovations often include maintaining a position in the market, adjust to market changes, and respond to competition. As expected, strong ties between retail innovation and sustainable innovation has been identified, and from a technological perspective, retail innovation usually comprise of incremental innovations. This has positioned retail innovation somewhere between the



aforementioned extremes of innovation- neither being of a radical nor disruptive manner. However, retail innovations can potentially over time disrupt the market, but solid and accurate evidence supporting this has been difficult to find in a food retail context which can be linked to food halls. In addition to this, Kystens Mathus was also tested against the four P's of innovation. However, currently three of the four P's were found to be present; process- position- and product innovation.

In the context of Kystens Mathus four areas of innovation have been identified in order to explore the innovation potential: Product innovation and implications relating to customer orientation in order to create a win-win-win situation, as well as the importance of traditional food products. Retail business models; with focus on creating a unique and diverse retail environment, suitable for both existing and new customers as well as task-oriented and recreational-oriented customers. Pricing and promotion; even though the pricing strategy potentially will be of an exclusive manner, it is important to communicate its value over multiple channels. Furthermore, communicating product value, in-store activities, and seasonal activities based on online and offline promotions are important in order to influence shoppers at the right time in their shopping cycle. Brands and branding was the fourth and final area, which was identified to provide an innovative potential for Kystens Mathus. Combining brand elements in order to create customer affections, brand image as well as expectations towards service and experience can result in the food hall to become an entity which is not only recognised and popular amongst its customer segments, but can also be affiliated with Tromsø and the region, both in a local, national and tourism related context.

In conclusion, even though it is difficult to conclude on what type of innovation Kystens Mathus will be an example of, innovation potentials in the food retail context do exist and will prove important for the expected long run success of Kystens Mathus. Therefore, further research on this should take place after market introduction in order to conclude on Kystens Mathus is a sustainable innovation or if it disrupts- or has the potential to disrupt the market. An important notion to add is that for a company or retailer to be an innovation, newness is not the only thing to aim for. A certain degree of added value, especially for customers, must be identifiable.

Moreover, an interesting notion is that the identified innovation potentials are not only key elements in arguing towards Kystens Mathus as a sustainable innovation, they can also be linked to marketing. Here, all elements that have been identified as innovation potentials are

found in marketing and retail strategy, thus implying that innovation and marketing is interlinked and can have an effect on each other. An additional implication to this is that a retail innovation model can affect a marketing strategy, whereas a marketing strategy can have such an impact on a market that it can both support an identified innovation model as well as influencing the innovation potential for a business or retailer, thus affecting the innovation type.

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## **Kystens Mathus- Suggesting a viable marketing strategy in the purpose of becoming a commercial success**

### ***Abstract***

Kystens Mathus is an upcoming food hall in Tromsø, which aims to offer high quality, local, and regional food products. This article examines marketing- and retail marketing theory, as well as primary data collected by means of two focus groups with potential customers, in order to propose what could be a viable marketing strategy for Kystens Mathus to become a commercial success. Retail marketing strategy includes establishing the target market, i.e. segmenting customers, establish a retail format and retail offer (i.e. the marketing mix), in order to target customers, and if possible, build and maintain sustainable competitive advantages, suitable for exploitation.

Research findings suggest that a viable marketing strategy must target customer segments consisting of people who are interested in high quality food products. In terms of the marketing mix, products should be of a local and regional scope, difficult to buy anywhere else in Tromsø. Price strategy should vary between regular retail price levels, to the more exclusive priced products. In-store design and layout should represent a modern food hall, as well as providing easiness of use for the customers. Promotional activities should utilise a multi-channel strategy, based on online and offline promotions. Service level should to be of a high quality.

Customer experiences should be created by means of the entire retail offer, which can stimulate to repeated visit and purchase behaviour. One should be able to see, smell, and taste products as well as learning about different areas of usage. The entire retail offer (i.e. the marketing mix) will be the base for value creation. Perhaps most important will be the service -level and -quality. Customer experiences can also result in the creation of customer value.

This article supports the importance for retailers to implement not only a marketing strategy, but a sufficient and correct marketing strategy.

Key words: Retail Strategy; Marketing Strategy; Customer experiences; Value creation

## ***Introduction***

Focus on quality food is increasing, with the result that retailers have to be more aware of food trends. Combined with a market where the large retail chains are dominant, this opens opportunities for new retail formats to emerge. Such a new format can be said to be modern food halls, which offers high quality, fresh and healthy food products. In Norway only a few exists and therefore, the upcoming food hall in Tromsø Kystens Mathus, which aims to open in July 2015, can be seen as a unique concept aiming to enter an emerging market.

Retailers play an important part in the market due to their activities of purchasing products from producers and wholesalers for the purpose of reselling it to the end-user (Dibb, et.al, 2006). This implies that retailers play an important part in the value chain by often being the last link in the distribution channel creating the availability of goods and services for the end-user. It is evident that retailers depend on customers and without customers, retailers do not have a viable business due to the lack of demand of products and services (Dawson, et.al, 2008). Regardless of retail sector, retailers are continuously in competition for consumer trade, thus supporting the notion that today's society is consumption-led (Dawson, et.al, 2008). Therefore, knowledge about customer perceptions and expectations of service quality, consumer experiences, consumer preferences, and retail positioning is vital for success (Dawson, et.al, 2008).

Retailers interact directly with the consumer/end-user, which creates the need for retailers to be able to deliver the expected goods and services (Turley and Chebat, 2002). Furthermore, as the consumer buying process creates an opportunity for the retailer to interact at various touch points, offering the demanded products is highly important (Jain and Bagdare, 2009).

Terblanche and Boshoff (2001), argue that product variety and assortment, product quality, service quality, price, and internal and external store environment are all aspects which are crucial in terms of shaping customer experience. There will always be room for improvements when operating in the retail sector. Customer trends and perceptions change over time and a retailer will constantly be in threat of competitors and new entrants to the market. Even though the upcoming food hall; Kystens Mathus will be a unique retailer in Tromsø, and even though a wide variety of products will be available under one roof, competition will be present. This implies that even a unique retailer such as the food hall must have a solid foothold in the market as well as being able to adjust to the market. This further implies that a solid marketing strategy must be implemented in order to have commercial success.

This article aims to propose what could be a viable marketing strategy for Kystens Mathus, to become a commercial success. Secondary data (journal articles) will be examined, and primary data will be collected with a qualitative approach. Theory and the analysis will be based on the framework of the extended version of the marketing mix; with five variables (5p's); product, price, place, promotion and people. This framework has been chosen based on that these variables are key to marketing strategy, as well as closely linked to customer experience and customer value creation. The discussion expands also to the retailer as a brand where the brand name and the potential retail image will be examined. Discussions and analysis is backed up by relevant academic literature and primary data collected from two focus groups consisting of potential users of the forthcoming food hall.

### ***Kystens Mathus- a brief overview***

Kystens Mathus will be a tenant on the ground floor in the coming Kystens Hus, located closely to the high street in Tromsø city centre. Kystens Hus's vision is to emerge as a powerful communicator of what the coastal areas and Northern Norway has to offer within food, agriculture, tourism, culture, science, and R&D. The aim is to contribute towards positioning Tromsø as a major player within coastal- seafood-, and Northern region issues, in a national and international context. When completed, Kystens Hus will comprise of three main axis of activity; (1) office space for coastal-, fishery-, seafood- and tourism related businesses; (2) a showcase and "public space" in order for visitors to be informed and learn about academic research results, food culture and food related information, and Northern Norway/coastal related business activities; and (3) a commercial axis, comprising among others, of a high quality, modern food hall- Kystens Mathus.

Kystens Mathus as a company will be owned and managed by three of the largest actors within specialised food retailing in Tromsø; Mydland AS, A. Dragøy AS, and Fiskekompaniet Tromsø AS. These actors will create a new arena in which local and regional small-scale manufacturers can be offered a chance to put their products into circulation, with the potential of generating retail effects of a local and regional scope. One could argue that a requirement for actors affiliated with the food hall, is to meet certain standards in terms of quality, aesthetics, and product range. In addition to optimising the retail offer to visitors, these requirements will also be aimed at ensuring a comprehensive profile of Kystens Hus.

Kystens Mathus should be seen as informal and casual. It is essential that the product range reflects a broad customer base, which can be achieved by a wide range of local and regional



products from blue and green sectors. Good selection of products and a great location will potentially make Kystens Mathus a natural place for the public and visitors to shop delicacies.

Kystens Mathus will be focusing on fresh food products, mainly within seafood, meat products, dairy products, fruit and vegetables, as well as local produce. In addition, the food hall could be an arena where small-scale producers can test their products in the market, which also creates additional diversity for the food hall. Emphasis is put on creating a diverse and customer friendly food hall, which offers a wide range of products from Northern Norway in particular, to a wide range of customers. Here, short travelled food is essential to the overall product range. In addition to the food products offered, Kystens Mathus aims to be looked upon as a natural meeting place, where people can shop, eat, and relax in a friendly environment. The aim is also to create a culinary experience where customers can have their senses stimulated by being able to look, taste, smell, and touch. By offering a wide range of products and product categories, the food hall should be the place to go when looking for something special.

### ***Theoretical framework***

The retail sector is a competitive and fast moving marketplace consisting of a mix between larger and smaller retail chains and individual retailers. Even though there are major differences between the different sectors within retailing, for example food and fashion, the basis for retail survival is to acknowledge that retailers do not have a viable business without its customers and their need for products and services (Dawson, et.al, 2008). Furthermore, it should be added that the nature of groceries often implements consumer limitations such as expiry date and quantity needed per shopping trip as these product categories include fruits, vegetables, bakery and dairy products (Teller, et.al, 2012). The same authors argue further that due to the nature of groceries and that this product category is one of the most needed on a daily basis, consumers are left with a limited choice in terms of shopping frequency as they often have to shop for groceries several times per week.

Despite the limitations linked to grocery shopping, consumers can often be exposed to a large number of retailers to choose from. Therefore, Dawson, et.al (2008, p.10) argue that *“consumers choose shops on the basis of an evaluation of a mix of retail and other characteristics”*. Bitner (1992) promoted the service-scape concept, which argues that the interaction between employees and customers is shaped by the physical surroundings of the retailer. Moreover, as consumers often have a wide range of preferences, their purposes and

reasons behind repeat purchase behaviour is often a result of a retailer (or retailers) being able to meet customer preferences and desires (Dawson, et.al, 2008). According to Dawson et.al (2008), these preferences can be based on areas such as price, quality, convenience, location, experience, and/or service. Furthermore, as consumers can be regarded as the last link in the supply chain of the retailer (Teller, et.al, 2012), the importance of consumers is evident as retailers will be unable to sell its goods and services without a customer base. An important aspect to why some retailers are more successful than others is often linked to customer behaviour and responses to the store environment (Wright and Noble, 1999). The same authors argue further that by obtaining a good understanding of a stores' environment and customer requirements, managers can utilise on this to improve short-term sales, with potential long-term goals such as increased customer loyalty and satisfaction. The store environment will in the context of the marketing mix refer to place (also referred to as distribution), which normally revolves around the channel/supply side, but area location and store facility can be included as well (Wilson et.al, 2008).

A common question that can be raised in retail theory is what characterises a successful retailer. Sarkissian (1989, p. 44) argues that *"a successful retailer offers the right goods at the right price in the right location"*. This implies that several factors play an important role in retail success, thus, one can argue that the marketing mix is central. Directly affecting the marketing mix are demographic changes. For example, the notion of an ageing population implies that age groups 35-44, 45-54 and 55-64 are growing larger, which results in a population with more disposable income (Bell, et.al, 1997), less expenses, as well as being more focused on quality, and less price sensitive (Sarkissian, 1989; Kotler, et.al, 2008). This means that in terms of retail strategy, practitioners must acknowledge this trend by constructing retail offers, which also are capable of following the demographic trends.

Retailing and marketing is highly interlinked, both as academic and industry disciplines. For example, marketing strategy can be defined as *"a strategy indicating the opportunities to pursue, specific target markets to address, and the types of competitive advantages that are to be developed and exploited"* (Dibb, et.al, 2006, p. 37). Retail marketing strategy, on the other hand, can be defined as *"a statement identifying (1) the retailer's target market, (2) the format the retailer plans to use to satisfy the target market's needs, and (3) the base on which the retailer plans to build a sustainable competitive advantage"* (Levy and Weitz, 2012, p. 113). The retail format can be related to the marketing mix elements, which means that when a retailer has identified the target market, i.e. segmented the market, the marketing mix can be

constructed based on the chosen segments (constructing a retail offer). Having done this, a retailer should then position itself in order to exploit any competitive advantages.

### **Customer value- creating the little extra**

The marketing mix, branding (brand management) and customer experience creation is not only important in terms of constructing a solid marketing strategy. An additional aspect to this is that these elements can also be regarded as important in the creation of customer value.

This section will explore customer value, how it can be created, and how important it can be for retailers.

Research on customer value has suggested many different definitions to what customer value is, however, according to Smith and Colgate (2007), customer value can be seen as value for the customer, i.e. perceived and received value, and value for the firm, i.e. customers' value to a firm. Therefore, one can argue that creating customer value leads to satisfied and faithful customers, which in turn can lead to increased customer purchases, diminished costs of attracting new customers, as well as increased brand equity (Ruiz-Molina and Gil-Saura, 2008).

The notion that customer value can be seen both from a customer and retailer perspective means that it is of importance that a retailer understands its customers. For example, research conducted by Ruiz-Molina and Gil-Saura (2008) found that different retailers are associated with different values. Therefore, retailers should adapt their goods, services, and service delivery in such a way that it corresponds to customer expectations. Maintaining or increasing customer valuation is important. This is due to when value has been created, customers may be willing to pay for a novel benefit, pay for something perceived to be better, or pay less in return for a larger quantity (Priem, 2007). This implies that customer value creation involves an increase in the use of certain products or services, or a decrease in the customer exchange cost (Priem, 2007).

One can argue that a common assessment in regards to value, as well as determining the value-added in a retail offering, is linked to price. Here, value-based pricing, which is setting a price based on customer perceptions, is central (Kotler, et.al, 2008). However, research conducted by Smith and Colgate (2007) resulted in a customer value creation framework, implying that firms can create four major types of customer value; functional/instrumental value, experiential/hedonic value, symbolic/expressive value, and cost/sacrifice value. In addition to this, five major sources of value were identified; information, products,

interactions, environment, and ownership. Linking this to retailers, one can see a clear link to Levy and Weitz (2012) who argue that customer value creation activities which retailers engage in are: (1) Providing assortments- wide selection of products and services available at one place, (2) Breaking bulk- retailers buying large quantity, in bulk, and sells it to customers in more convenient sizes, (3) Holding inventory- products available when customers want them, and (4) Providing services- make it easier for customers to buy and use products.

Even though this article will not explore any of these frameworks to any depth, it is evident that customer value creation is of importance for firms, and in retailing, it can clearly be linked to the retail offer, thus the marketing mix, branding, and customer experience creation. Moreover, customer value can also be seen as a competitive advantage. In addition to this, it has also become evident that value expectations, possibilities in creating value, as well as the need for creating customer value differ from firm to firm, retailer to retailer.

### **The extended marketing mix, in a retail perspective**

The above sections have highlighted that central to marketing strategy as well as creating customer value, are the marketing mix. The marketing mix is central to any business, retailers alike, which underlines the importance of the framework. Traditionally, the marketing mix consists of four P's; hence product, price, place and promotion. When dealing with businesses in the service sector, an extended version of the marketing mix is often used, where three additional P's are included; people, process, and physical evidence (Wilson, et.al, 2008). Therefore, in the case of retailers, which are a mix between a service and regular business, one can argue that the 4P framework is not sufficient to be used in a strategy, hence using a 5P framework, which includes arguably the most important element in a service setting; people, in other words, the employees.

### **Product; the core of the retail offer**

Retailers interact directly with the consumer, which creates the need for retailers to be able to deliver the expected goods and services (Turley and Chebat, 2002). Information technology has led to a retail industry from pushing products from the factory to consumers pulling them on demand (Bell, et.al, 1997). Furthermore, as the consumer buying process creates an opportunity for the retailer to interact at various touch points, offering the demanded products is highly important (Jain and Bagdare, 2009). One may argue that households are often the last link in the retail supply chain. This implies that consumers must be able to buy the needed products in order to complete the chain. A retailer can increase shelf space particularly for

high demand products. However, with more shelves, a retailer can on one hand display more of popular products, which also decreases the need for re-stocking and on the other hand, the retailer gets the needed space for new product introduction, which is important in terms of differentiation (Varley, 2005). The outcome can be increased consumer interest as a retailers' product range plays an important part in this context (Varley, 2005). The same author argues further that a good product variety can more easily meet the needs of a larger percentage of the population. Moreover, product display is a part of the total merchandise presentation, which has an important impact on consumer behaviour (Kaltcheva and Weitz, 2006). In addition to this and of highly importance, stock-outs can create a negative impact in terms of customer loyalty and sales, leading customers to delay a purchase or look for the item elsewhere (Zinn and Liu, 2008).

### **Retail pricing**

Retail pricing is a common tool used for retail promotion and differentiation. In terms of the marketing mix, price is often one of the most easily adapted and visible element (Wilson and Gilligan, 2013). The same authors' state further that price in combination with product is often looked upon as the key component of a marketing strategy. What makes pricing decisions difficult is that it is vital to set a price, which at the very minimum results a firm or a retailer to break even, as well as the price has to be accepted in the market. Additional difficulties exist due to a retail price which potential customers have to pay should both be competitive if needed, as well as covering costs accumulated by the retailer itself and its distribution network (Wilson and Gilligan, 2013).

Two basic retail pricing strategies exist: high/low pricing (HI/LO) and everyday low pricing (EDLP) (Levy and Weitz, 2012). A HI/LO strategy is often associated with frequent, even weekly sales and price promotions, in order to have a high turnover on stocked products (Sarkissian, 1989; Levy and Weitz, 2012). Negative associations exists in HI/LO pricing strategies as retailers utilising this strategy potentially can set an artificial high retail price, and on sale lowers the price only to the market price (Sarkissian, 1989). EDLP on the other hand, is probably the most common pricing strategy used in the supermarket- and mass market retail sector. This is evident both in-store as well as through the promotional activities such retailers engage in. The notion behind an EDLP strategy is to continuously have prices somewhere between the recommended retail price and deep-discount sales price (Levy and Weitz, 2012). According to Ailawadi and Keller (2004, p.333) price is an important factor as

it “*represents the monetary expenditure that the consumer incur in order to make a purchase*”. This is, however, in contrast with Varley (2005) who argues that price in the retail context is less important as this sector is highly product driven.

### **Place; from supply channels to in-store design and atmosphere**

The activities retailers engage in to make products available for their customers include everything from channel- and supply management to the transaction between the store and its customers (Kotler et.al, 2008; Wilson, et.al, 2008). There is an agreement on the importance of the store environment within the academic literature. Kaltcheva and Weitz (2006), states that the store environment has a significant impact on consumer behaviour. Therefore, retailers often put a lot of effort in creating an in-store atmosphere where stimuli such as layout, design, colours and decorations are key drivers in shaping consumer response and as a mean to differentiate in relation to competitors (Kaltcheva and Weitz, 2006; Turley and Chebat, 2002). Combining this with the external design of the building, the totality represents a major part of a retail offer.

In terms of the visual landscape, a thought through shelving layout will enhance the visual aspect at the point of purchase as this can draw immediate attention from customers (Jain and Bagdare, 2009). Utilising the space available in an efficient manner will not only reduce dead stock, it will also create the opportunity to increase the number of different products stocked and the quantity of each product. Moreover, having a fully utilised floor space can create a customer view that sees the store as an integrated space where display units and products are brought together (Kent and Kirby, 2009).

According to Kent and Kirby (2009, p.466), internal and external store design “*enables the store to be conceived as an integrated space, bringing together the arrangement of structures, display units [which] maintains the store image*”. This can be seen in correlation with Kaltcheva and Weitz (2006) whose research concludes that when customers are task orientated, light and cooler colours are most preferable.

The external design of the store is another aspect of the store atmosphere. A study performed by Kent and Kirby (2009), argues that the external design of a retail store does not contribute significantly to the retail image perceived by potential customers. However, it does act as a navigational signpost for consumers’ looking for a retail store.

### **Retail promotions- getting the message across**

Communication and promotion can be regarded as central elements in retailers' customer experience management strategy (Ailawadi, et.al, 2009) as well as manufacturers and retailers marketing strategy (Siguè, 2008). Promotions in retailing can be classified as either manufacturer-controlled or retailer-controlled (Siguè, 2008), meaning that manufacturers use promotion as a part of their pull strategy. Due to Kystens Mathus being a retailer which deals directly with end users, only retail-controlled promotions will be discussed.

According to Siguè (2008), three benefits can be achieved via retail promotions; increased sales of the promoted products/brands, increased sales of complimentary products, and increased in-store traffic. Retail promotions are usually undertaken via price promotions, non-price support such as advertising and using displays, and in-store communications (Ailawadi, et.al, 2009). However, regardless of promotional strategies implemented, retailers are dependent upon promotions due to the retail sector being highly competitive with a wide range of promotional techniques and activities used in order to attract customers (Ailawadi, et.al, 2009).

Research suggests that from a consumer perspective, store choice is linked to the overall retail offer, including promotions such as advertisements (Jain and Bagdare, 2009). For retailers operating in markets where product similarity is high, a way to differentiate is through pricing and promotional strategies. Such strategies can often provide opportunities to effectively target customers in both an online and offline environment (Grewal, et.al, 2011). When undertaking promotional activities, it is of importance to be able to design the right message to the right customer segment(s). In terms of promotional tools, such a message can be communicated via flyers, special offers, sales and loyalty programmes (Grewal, et.al, 2011).

### **Retailers as service providers**

The fifth P- People, in other words the employees, should always be included when analysing services. In terms of definitions, a service is often defined as an activity that one party can offer another party, which is of an intangible nature (Kotler, et.al, 2008). Even though this is correct, service marketing theory provides a more detailed view in terms of a tangibility spectrum (Wilson, et.al, 2008), which indicates that a retailer is neither a tangible dominant nor an intangible dominant. This means that retailers can be regarded as service providers, due to human contact and the need for staff. In spite of this, retailers as a service is still intangible due to that customer services are perishable (Wilson, et.al, 2008), meaning that

each time a customer interacts with a member of the staff, the service provided only exist for as long as the encounter exists. In this sense, one cannot save a service to use it for another occasion.

People, in this context the retail staff, play a vital role in the totality of a retail offer and in maintaining a high level of customer satisfaction. Staff is key in delivery of a good service (Magrath, 1986) and repeat shopping behaviour, increased duration of stay, and increased product spend is a result of customer satisfaction which can also result in customer recommendations (Jain and Bagdare, 2009). The focus on customer experience coincides with a study performed by Turley and Chebat (2002) who argues that one of the main differentiators used by retailers in a crowded marketplace is the focus on customer service. In a retail context, the service delivery, thus service quality, can be affected and influenced by both the staff, the customer himself, as well as other customers (Wilson, et.al, 2008).

### **Brining the marketing mix together**

The above sections related to the 5P's framework outline the importance of it, both in a retail and strategy context. One can argue that the 5P's are a basic tool in marketing terms. Even though this to some extend can be said to be true, it is still a valuable strategic tool, especially when outlining a marketing strategy. Research on this topic is vast, implying that the framework is of importance to both academic and industry practitioners. As the 5P's plays an important part of a retail offer, it can also be regarded as central for retail marketing strategy. As aforementioned, the retail format is used to satisfy the target market, implying that a retail format such as Kystens Mathus will have different needs and requirements to the marketing mix (retail offer), than compared to other formats, for example supermarkets. Additional remarks is that one cannot only focus on one or two of the elements, all the P's are interlinked, which means that changes to one P will affect the others.

### **Branding- an important tool in retailing**

In accordance with Bell, et.al (1997) retail differentiation has traditionally been achieved by pricing strategies. However, branding has become increasingly important for the purpose of differentiation and competition as retailers stock adequate range of branded products in order to create customer value (Bell, et.al, 1997). Moreover, moving from branded products to retailers as brands, one can argue that a retail offer plays a major part in creating brand image and brand experience (Ailawadi and Keller, 2004; Zarantonello and Schmitt, 2010). The brand image is a signal to customers, which distinguishes products and services offered



(Porter and Claycomb, 1997). Furthermore, a robust brand image has clear associations with the retail offer, such as store atmosphere, price, promotion, and product range, which in turn are important factors for the customer decision making process (Ailawadi and Keller, 2004; Porter and Claycomb, 1997). If the retailer wants to boost the perception of affective dimensions such as feelings and emotional attachments towards the store, the brand image plays a key role in the process (Zarantonello and Schmitt, 2010).

Brand image and brand experience can be linked to brand identity, which is achieved when consumers are able to identify and differentiate the brand in relation to other brands in the same or similar product category (Keller and Lehmann, 2006). Companies obtain brand identity by integrating a set of trademarkable devices, commonly known as brand elements, in brand marketing campaigns with the goal to build brand equity (Keller, et.al, 2008).

Identified by Keller, et.al (2008), the main brand elements are names, logos, symbols, URLs, characters, spokespeople, slogans, jingles, packages, and signage. Zaichkowsky (2010) identifies colour as an additional brand element. Moreover, these elements play an important role in building brand awareness, which in turn leads to brand equity. A set of six criteria must be considered when choosing and managing brand elements; 1) memorability- being recognised and recalled with ease, 2) meaningfulness- have a meaning which enhances brand associations, 3) likeability- have a rich visual and verbal imagery, being fun and interesting as well as providing an aesthetic appeal, 4) transferability- being able to transfer across product categories, cultures and geographic boundaries, 5) adaptability- being adaptable and flexible so updates can be applied with ease, and 6) protectability- being able to protect the brand element in both a legal and competitive way (Keller, et.al, 2008).

It can be argued that most central for the food hall, in relation to customer perception, brand image and brand awareness, is brand name and logo/symbol. A well-known brand name is something consumers may rely heavily upon when deciding on which products or services they want to purchase. This implies that a company must identify names which can enhance brand awareness as well as being able to stand out in relation to competitive brands (Zaichkowsky, 2010). Furthermore, a brand name should ideally be simple, as long names are harder to remember. Moreover, a name should be familiar and have a meaning, which should say something about the product category, and if possible, have a certain level of distinctiveness and uniqueness, as well as being unusual (Keller, et.al, 2008). People, things, animals, places, and objects are all creativity sources behind a brand name (Keller, et.al, 1998).

Logos and symbols have played from ancient times an important role in visualising a brand. Furthermore, visual brand elements, such as logos and symbols play an important role in the process of creating brand awareness and brand equity (Keller, et.al, 2008). A logo, which is best identified as a mean for recognition, should have a degree of formal simplicity, with the power to express the characteristics of the brand the logo is representing (Chevalier and Mazzalovo, 2004). Logos and symbols are closely linked to brand name, as both elements are central in creating brand identity. However, the name itself can sometimes prove to have a lack of distinctiveness. A solution to such an issue is to have the brand name portrayed through either a symbol or logo (Zaichkowsky, 2010). According to Keller, et.al (2008), logos can be identified as the symbol connected to a brand, often to reinforce a certain brand meaning. Examples are the Nike Swoosh, visualising something on the move, the Apple logo, visualising something creative and the Lacoste crocodile, visualising something distinctive. Moreover, designed logos can also be the brand name written in a graphical way, such as the Coca-Cola, the Virgin and the Ford logo.

Research conducted by Huang and Sarigöllü (2012) supports the importance of brand awareness, as their findings suggest that brand awareness is positively associated with brand equity. Moreover, their research also found a positive relationship between the marketing mix and brand awareness, especially with regards to distribution (place) and price promotions. In relation to this, Swoboda, et.al (2013) argues that brand equity is related to store accessibility and competition in the area. Conclusions drawn here is that brand equity is increasing in importance due to location becoming of less importance to customers. It was found that store loyalty is affected stronger by the retail brand compared to location (Swoboda, et.al, 2013). However, it is difficult to generalise on this, due to the newness of the research, as well as it does not for example discuss this in relation to the classic high-street dilemma. Despite this, the marketing mix in combination with branding does create a solid base towards creating and exploiting potential competitive advantages. As previously argued, due to Kystens Mathus is still in its early stages of construction, one can only theorise on competitive advantages, but it is fair to expect that such advantages could revolve around creating unique customer experiences.

## **Creating customer experience**

The third element in a retail market strategy is to build sustainable and exploitable competitive advantages. In classic retail terms, this has often been linked to price, price promotions, and product assortment. This has often been used since the importance of sustainable competitive advantages is that they are not easily copied by other retailers (Levy and Weitz, 2012). However, an additional and perhaps more important element to this is the ability to create unique customer experiences. One could argue to what extent this is applicable for larger, price cautious retail chains, however, for more specialised retailers creating unique customer experiences can be regarded as a key tool for differentiation, thus being a competitive advantage.

The importance of customer experience is of such a manner that it can determine the success of a company's offering, which implies that if customer experience is created correctly, it creates value for both customers and the company (Gentile, et.al, 2007). Therefore, one may argue that customer experience creation is a central objective in nowadays retailing (Verhoef, et.al, 2009). According to Gentile, et.al (2007) customer experience is created in the interactions between customer and company, implying that customers' preferences, purchase decisions, and perceived value all are affected by the experience created by tangible and intangible factors when interacting with a company.

An important question to ask is what creates customer experience. Research on the topic is pointing towards many of the same factors, which is not surprisingly due to marketing- and retail marketing strategy implies that the marketing mix is essential in creating competitive advantages. Grewal, et.al (2009) highlights retailer promotions, price, merchandise (products) and brand, supply chain, and location as key factors, which are important in creating customer experience. The same authors argue further that understanding customers are key to success. The factors pointed out above is in line with Verhoef, et.al (2009) who argue that the social environment, service interface, retail atmosphere, product assortment, price, and the retail brand are key factors in the customer experience creation. The same authors argue further that retailers must look at customer experience as a holistic experience, which is present in every stage from the search, purchase, consumption, to the after-sale phases. This implies that a customer experience strategy should be created in such a way that it provides value for both the retailer and its customers (Verhoef, et.al, 2009).

In order to create customer experiences, a retailer must understand who their customers are and why they shop. Apart from covering the basic human needs, consumer shopping is often goal oriented. Purchasing or using a specific product or service can achieve consumer goals such as the need for entertainment, recreation, social interaction, and intellectual stimulation (Ratneshwar, et.al, 2000, as cited in Puccinelli, et.al, 2009). When creating customer experiences, one should be aware of the two main groups of consumer shoppers; task-oriented consumers and recreational-oriented consumers (Kaltcheva and Weitz, 2006). This implies that an experience is perceived in different ways regarding the purpose behind a store visit. For example, customers are influenced by other customers shopping at the same time at the same retailer (Verhoef, et.al, 2009). In order to minimise potential negative experiences created by either other customers or the purpose behind a store visit, retailers should involve and engage their customers by personalising the experience (Puccinelli, et.al, 2009). A retailer should try to evoke positive attitudes towards their offering as customers with positive attitudes are more likely to interact with the retailer. Furthermore, such attitudes can be created by means of the buying process (search-evaluate-purchase-post-purchase) and the retail store environment (layout, equipment, furnishing, and signage) (Puccinelli, et.al, 2009).

### ***Methodology***

Qualitative research provide answers on issues such as marketing strategy, consumer decision making, customer satisfaction, and product and concept development (De Ruyter and Scholl, 1998). This research approach is often used in the preliminary stages of a wider analysis in order to gain a better understanding of the field one wants to explore. When selecting a qualitative research design, the researcher aims to collect rich and holistic data, with the purpose to explore and understand people's attitudes, perceptions, motivations, and behaviours (Kent, 2007).

Qualitative research is characterised by smaller samples, which in the past have raised a question of validity due to a small sample is not representative (De Ruyter and Scholl, 1998), and that qualitative research is too subjective and susceptible to human errors and biases (Cooper and Schindler, 2008). However, qualitative research and analysis aims for, and results in a different type of knowledge compared to quantitative research (Golafshani, 2003). The value of qualitative research is that it offers an insight into peoples thoughts about a certain subject, as well as why they might think that, which is quite different compared to quantitative research which aims to enlighten the number of people holding a certain opinion

(De Ruyter and Scholl, 1998). Therefore, it is more important that the chosen sample for a qualitative research design can express all possible views and opinions regarding a certain topic (De Ruyter and Scholl, 1998).

In terms of qualitative research design, two main methods exist; in-depth interviews and focus groups (Kent, 2007). However, three additional, alternative techniques for capturing qualitative data are observations, ethnography, and consultations (Kent, 2007). In terms of in-depth interviews, it can be defined as an interaction between an interviewer and a single participant (Cooper and Schindler, 2008). Such interviews are often open-ended, where the moderator aims to get his questions answered by having a conversation on an agreed topic with the respondent (Kent, 2007). Focus groups on the other hand can be defined as data collected using a single interviewer with more than one participant (Cooper and Schindler, 2008). The aim of a focus group is to explore and understand a topic by having a more unstructured and free-wheeling discussion (Kent, 2007). Moreover, a focus group should take on a life of its own, where the moderator should listen and observe, and engage if the group deviates from the topic, or if a new topic is up for discussion (Kent, 2007).

In order to construct a viable marketing strategy for Kystens Mathus, data comprising expectations held by potential customers are important to collect and analyse. In order to accomplish this, a qualitative research design has been chosen. For the purpose of this article, focus groups have been chosen as the appropriate mean of data collection due to the need to collect rich data from potential users of Kystens Mathus. The concept of Kystens Mathus is still under development, implying that the research participants only have limited knowledge to the concept. This means that in-depth interviews could have proven ineffective due to the potential difficulties of understanding and visualising the concept of the food hall. However, this problem will diminish when using focus groups as the participants together can discuss and form an understanding of the potential concept, thus being capable of forming and commenting on their expectations. Focus groups can often produce more relaxed discussions, with the possibility of spontaneous comments and comparisons, and differences in responses and views can easily be highlighted (Kent, 2007). In-depth interviews on the other hand, are said to be useful when a high degree of control is needed, as well as a need for deeper probing of the topics (Kent, 2007).

When doing research on retail customers, quantitative methods, i.e. surveys, can capture the views from a sample, which is representative for the population. However, in the case of

Kystens Mathus, one can argue that surveys would be an inappropriate method of research. This is due to several reasons; Firstly, the concept of Kystens Mathus has not yet been fully developed, customers do not know exactly what they can expect; Secondly, this is the first time a retailer such as the food hall has been established in Tromsø, and only a few exists in Norway. This implies that marketing research on the area is scarce; and thirdly, commencing research in order to construct a marketing strategy usually needs rich data, which on a later basis can form a need for data with a wider view. Qualitative data captured by means of focus groups can capture the needed depth and richness, as well as providing a scene where the respondents can in plenum form expectations regarding the food hall.

The primary data will be collected by means of two focus groups, where the population identified are potential customers of the food hall. The reasoning behind this is that people, who are not interested in Kystens Mathus, will have neither an interest in what it will be, nor any interest in forming solid and valid expectations. The target population is expected to hold clear and perhaps strong views towards their expectations of the food hall.

Qualitative research often involves nonprobability sampling, meaning that a representative sample is not generated (Cooper and Schindler, 2008). This combined with the already mentioned requirements for choosing a suitable sample, a purposive sampling technique; choosing participants based on their experiences, attitudes or perceptions (Cooper and Schindler, 2008), has been chosen. Potential participants were asked if they knew about the upcoming food hall, if they saw themselves as potential customers, and if they wanted to participate in a focus group. Those who answered yes on these questions were chosen to participate.

Already early on in searching for participants to the focus groups, it was experienced that several potential respondents declined on the request to participate due to they felt it would not be right to comment on a topic they knew so little about. This was to some degree expected, but the ideal situation would have been to have had additional participants, perhaps allocated in more than two focus groups. In addition to this, time has also been of the essence, and these two aspects had therefore negative implications towards the number of participants. However, it was also decided that a smaller number of participants truly interested in the food hall would prove more beneficial compared to a larger number of people who were less interested. Despite the small number of focus groups, one can argue that the data collected

provides a solid foundation for the construction of a suggested retail marketing strategy, as in some cases only a few focus groups are needed to collect the needed data (Kent, 2007).

In terms of demographic variables, group 1 consists of three participants in the age group 25-35, with the following status:

Participant	Status
A	Male, 30 years old, in a relationship, no children
B	Male, 27 years old, in a relationship, one toddler
C	Male 27 years old, single, no children

Group 2 consists of three participants, in the age group 35-45. These participants have status as follow:

Participant	Status
D	Male, 50 years old, in a relationship, no children
E	Female, 44 years old, married, 2 young children
F	Female, 45 years old, single, no children

Due to the variety in each group, the focus group can be regarded as heterogeneous (Cooper and Schindler, 2008), as they consist of individuals with different backgrounds, opinions, income levels and demographic profiles. The groups have cautiously been put together in order to capture data from a reasonably wide demographic spectre. This is due to the difficulty to accurately predict the user segments of Kystens Mathus in terms of age and gender.

The preliminary stage of the research has already been undertaken and involved collecting secondary data from journal articles on topics regarding marketing strategy and retail strategy. This information has provided evidence towards a suitable marketing strategy for the food hall, and will be discussed in relation to the primary data collected.

During the two focus groups, the following topics were addressed:

1. Customer base, customer segments, demographics
2. Product range, assortment, product sector
3. Pricing; low, medium, high

4. Service quality, level of service, expected service
5. Promotions- product information, special offers, news
6. In-store design
7. Pros/cons in relation to location on the high street
8. Branding; implications, Kystens Mathus vs. Kystens Hus
9. What it takes to get repeated visits and purchases

Due to the careful selection of participants, an easy-going discussion/conversation was experienced. The sessions started with the moderator explaining the scope of the research, giving a brief introduction/update on Kystens Mathus as well as outlining the topics to be discussed. During the two focus group, which each lasted about 1 hour 20 min, the moderator had only to intervene when it was time to move on to the next topic. The participants had not the habit of losing focus or deviating from the topics, with the result that the moderator could let both focus groups carry on with the discussions with a minimum of moderation.

All participants showed a genuine interest in the upcoming food hall, as there were no awkward silences and it appeared that the participants mostly agreed with each other's thoughts and comments. Due to the interest shown by the participants, they sometimes jumped back to previous questions in order to express some additional thoughts and ideas. Due to all this, the focus groups provided valuable data, on a concept, which is still under development. A take-away from this is that there already exist great expectations amongst potential customers to what Kystens Mathus will become.

A consequence of conducting qualitative research is that the data collected is often extensive and lacks structure. In order to provide more structure, a summary of the most important phrases and comments can be found in the appendix. However, the result section will categorise, systemise, and analyse the data both within each focus groups and across the focus groups. The goal here is to uncover the main points, common thoughts and traits, as well as any inconsistencies. An implication of having participants who mostly agreed is that it makes it easier to draw the main lines of thoughts, meanings, and expectations. It also makes it more optimal to probe deeper in order to gain even richer data. However, in the case of the two small groups used for this research, it was difficult to probe any deeper when the participants felt they had said everything they wanted to say.



## *Analysing data*

The paragraphs presented below highlights the most important and central information collected during the focus groups. Due to each focus group followed the same set of topics in the same order, the result section will follow this structure. As the groups have been classified as heterogeneous, for each topic, analysis was carried out within and across the groups. This was done in order to capture thoughts, meanings, and expectations both between participants and between the groups in order to uncover any differences based on age or other demographic variables between the groups. For additional phrases and comments, see appendix.

### **1. Customer base, customer segments, demographics**

Focus group 1 had difficulties to accurately predict or suggest customer base and segments. Here, especially age was difficult to say something about, as only one of the respondents (A) suggested an average customer age, 40+, whereas respondent B argued that age is probably not an important factor. It was argued (B) that one can expect to pay more for specialised food products, and therefore, people interested in food will be the customers, regardless of age and income level. However, there is a possibility that customer will potentially be people with higher education, more time available or have a disposable income above average (A).

There was a wide acceptance for that the regular customer of the food hall would be people who have a genuine interest towards cooking, fresh food products and are interested in quality products.

Focus group 2 saw this in a slightly different context compared to group 1. General notions were that potential customers could be daily shoppers, but those who are more focused on quality. A wide range of customers will exist, except those who only shop in bulk. It was also pointed out that residential growth (D), and a high number of people working in the city (E), should be regarded as customers. Moreover, an additional customer segment could be those who try to avoid shopping too much at regular retailers (Spar, Coop, etc.) (D). In addition to this it was argued that both older and younger people would be expected customers (F). An interesting point to add is that it was only respondent F who mentioned tourists and visitors as potential customers.

An interesting notion here is that even though the demographics are different between the focus groups, as well as that each group also had some respondents with children, the answers

towards the first topic is remarkably similar. This can mean that Kystens Mathus will attract all kinds of people, but most likely people with a common denominator; an interest towards food. Age, income level, gender, and so on, seems to be of less importance.

## **2. Product range, assortment, product sector**

In focus group 1, a consensus towards products was experienced. Here, all three participants were favourable towards a wide selection of high quality products. It was pointed out that a good assortment within seafood, meat, and dairy products are important (A), and that there must be a focus on products from Northern Norway and on products, which is difficult to source elsewhere (B). Additional comments to point out are that seasonal varieties are important (A) and that there should also be weekly offers as well as a product of the day scheme (C).

Focus group 2 argued that a wide product assortment would be important, but also that focus should be on high quality seafood- and meat products. All respondents pointed out the importance of local products and local produce. In addition to this, coastal and Northern Norway related products, as well as meat products from reindeer, moose, seal, and whale could be an idea to have on offer (F). Interesting remarks are the suggestion that there should be an opportunity to buy something to take on-the-go and ready meals, which are made of quality products (D/E/F). As expected, the respondent with children also pointed out that toddler/children friendly food should be available (E).

Takeaways here is that even though the composition of the two focus groups are different, the answers received shows that there are uniform ideas and expectations towards products to be offered. No inconsistencies were found.

## **3. Pricing; low, medium, high**

All participants in focus group 1 stated that they expect to pay a premium price. Interesting remarks here is that respondent A and C were more price sensitive, especially when doing everyday grocery shopping, but if quality perceptions are met and if the overall experience is worth it, they would pay the premium price. An additional remark is that respondent B believed that “common” seasonal products should have a regular retail price.

In the second focus group, respondent D was most favourable towards a high price level, due to the belief that many customers will belong to the segment with higher income. However,

the same respondent pointed also out that a too high price could be negative. The two other respondents believed also that a high price level is expected, but that normal prices must also be present (E), and that the entire price spectre should be used in order to differentiate products and quality (F).

What can be said here is that focus group 1 and 2 do have a common line of thoughts with regards to price. However, focus group 2 is more favourable towards a mixed price strategy, where several price levels are used.

#### **4. Service quality, level of service, expected service**

An overall consensus is that service level and quality is expected to be high. However, there is no doubt that customers might want more than just service as the respondents also stressed that employees have to do more than just sell food products (A). For example, respondent B expected to get tips, recipes, and product knowledge from the employees, whereas respondent C expected that employees should be able to give ideas towards composing a meal, as well as to involve the customer as much as possible. An interesting remark linked to this is the comment that perhaps customers should be able to get the product/meal prepared on site while watching and interacting (B).

Focus group 2 was also favourable towards a high service level, but they took it a step further by arguing not only for a service level which justifies expected price levels (D), but also that employees must have product knowledge and the ability to identify needs and suggest meal compositions (E/F). Additional valuable remarks here is that customers should be able to look, smell, taste and experience the products (D). Employees with sufficient product knowledge must also be present after 4pm (F)

Interestingly, this is the first topic where there are some major differences between the two focus groups. There is no doubt that respondents in focus group 2 have more requirements towards the upcoming food hall. It is difficult to reveal why this is so, it could be due to age, previous retail experience as well as the perceived value of shopping.

#### **5. Promotions- product information, special offers, news**

It proved difficult on this topic for focus group 1 to concur on the same line of thoughts. Here, the overall result proved to consist of both online and offline promotions. For example, respondent A suggested that seasonal magazines should be delivered by mail, whereas

respondent B was comfortable with newsletter and magazines on email. Respondent A was highly favourable towards social media as the preferred promotional platform, whereas respondent C argued that any retail promotions should be visible from the street and that there should not be too much social media promotions. An interesting remark is that respondent C suggested live streaming from the food hall.

The same inconsistency occurred in the second focus group. Respondent D argued that social media should be used as much as possible and that there should be less paper-based promotions. In contrast, respondent E argued that there should be in-store magazines containing product/manufacture information and recipes, and that there should be a new magazine for each season. It is evident that respondent F had a more balanced view as the respondent suggested that one should have the ability to choose to be informed via multiple channels, both online and offline. However, there should be an informative webpage, which informs about special offers, seasonal products, new products in stock, etc. Facebook or Twitter can also be used for communicating this (F). In addition when purchasing a product, one could be given a small card containing information and a recipe (F).

Evidently, neither of the focus groups was able to agree on preferred promotional tools. This could be because the view towards promotions is often subjective. One can argue that even though the focus groups showed that promotional tools are difficult to agree on, they are indeed important. Therefore, the selected promotional tools should be carefully chosen in order to satisfy a wide range of customers.

## **6. In-store design**

It appears that for focus group 1, in-store design is definitely of a subjective nature. Respondent A believed that there should be a modern design, but with associations to a classic/vintage look, for example with fishing nets, etc. This is in line with respondent B who argued that the design should be children friendly, but with a rustic and classic look, which easily can be associated with Northern Norway. In contrast, respondent C answered that the design should be representable and attractive to the younger generation and that there should be no hassle/no frills to be oriented inside the food hall during a stay.

In contrast to focus group 1, focus group 2 did not show any inconsistencies in terms of their thoughts and opinions towards the in-store design. For example, respondent D argued that there should be an attractive design and shelf layout which makes it easy to manoeuvre

around, as well as easy to allocate the products one is looking for. Respondent E argued towards a stylish, attractive, and convenient design with light colours and visible signs where different product categories are allocated. And in support of respondent D and E, respondent F argued towards a modern and future oriented layout and design, with convenient product allocation.

Comparing the two groups makes it evident that there exist some different views.

Interestingly, it was the group with the older participants who consistently were favourable towards a modern, in-store design, implying that the classic or rustic look is less favourable.

## **7. Pros/cons in relation to location on the high street**

Both focus groups showed a positive attitude towards the location.

Focus group 1 resulted in comments such as the food hall will have positive implications for the high street and that if one is looking for something special for the weekend, it is easy to prioritise a trip to the food hall (A). Furthermore, respondent A commented that the location provides credibility towards the concept, and perfect for those who are employed in town. This was agreed upon by respondent B who stated that the high street need specialist retailers, as well as respondent C who argued that for people relying on public transport, the food hall is perfect for weekday visits. However, a few less favourable notions were mentioned as well. For example, it would be less attractive to pay a visit during weekdays if one does not work or live in town (A/B).

The second focus group were slightly more positive to the location, based on comments such as that the waterfront promenade will provide a natural flow of people (D), ideal location with regards to the commuting traffic and public transport (E/F) and a good location also in regards to history as the area is known for extended fish trading (F). Here, the only negative comment was the lack of car parking in the city centre (F).

This implies that there is an overall consensus that the location is favourable in the minds of selected potential customers. However, it is difficult to generalise on this due to a small sample, but the fact that the received answers were of a positive nature, shows a positive attitude towards the location.

## **8. Branding; implications, Kystens Mathus vs. Kystens Hus**

There is no doubt that this topic was the most difficult for the respondents to answer. There could be several reasons for this. Firstly branding is a complex matter, and in the case of Kystens Mathus, which is located in Kystens Hus, provides additional difficulties. This was noticeable in both focus groups. For example, all respondents believed that a nick-name would be made. Respondent A and B believed that the name food hall (Mathallen) would be used, whereas respondent C believed that the older generation might use Domus. There was, however, an overall agreement that it was highly difficult to predict a name.

This was also the case for focus group 2, where all respondents said it would be difficult to brand and suggest a name. Respondent F said that even though branding will be difficult, name/brand should be easy for the public to remember and recognise.

Branding is a highly important tool in marketing, as it plays a vital role in recognition and perceptions in the minds of the consumer. It was therefore interesting to see that this was such a difficult topic for the respondents to address. One could, however, argue that this is solely due to the concept has not yet been developed, and therefore, only limited information about the food hall is currently available.

## **9. What it takes to get repeated visits and purchases**

The evidence suggests that there is no doubt what it takes to stimulate repeated visits and purchases in the food hall. Here, both focus groups agreed that it is the totality of the experience which is the key. For example, respondent A pointed out the ability to see, smell, taste, learn, as well as that the food hall must to some extent be children friendly. It was also highlighted that there must be a focus on details and associations to Northern Norway (B) and that there should be an interesting store environment (C). Respondent C also pointed out the importance of the totality of the retail offer, such as the location, a high quality product range, associations with the region, and premium service level. All three respondents in the second focus group pointed out that reliability with regards to service and quality will be key to repeated visits. Respondent F argued further that there should be no hassle to use the food hall, the experience must be good, the service reliable, and the products must be flawless.

The fact that there is a consensus across the focus groups shows that great expectations exist for the food hall. Repeated visits are important and it is evident that the respondents have high expectations to the food hall.

## **Concluding the analysis**

An overall concluding remark to the analysis is that even though the two focus groups were quite different in terms of demography, as well as being regarded as heterogeneous, apart from promotions, to some extent in-store design, and partially branding, similar expectations were expressed on the majority of the topics. Having said that, any major inconsistencies towards the addressed topics was shown neither within nor across the groups. This shows that Kystens Mathus may appeal to a wide array of user segments, where customer variables such as children, age, and income are less important. In addition to this, the analysis also shows that price is not so important as long as the other aspects of the retail offer support the price level. Here, aspects such as product variety and service quality/level were regarded as more important. However, this means that Kystens Mathus must be able to construct a retail offer, which is unique enough to meet those expectations. It can be challenging to target such a wide array of user segments as suggested by the focus groups. However, such a challenge is difficult to assess pre-opening of Kystens Mathus. The important notion to pay attention to is that a viable marketing strategy must be able to create a retail offer, which corresponds with the focus groups' expectations towards products, in-store design, and service quality/level. Interestingly, those important areas of expectations are also important towards potential competitive advantages such as creating customer experiences and customer value creation.

## ***Discussion- proposing a viable marketing strategy***

In terms of retail strategy, one can argue that three basic price/cost/service strategic orientations exist. According to Evans (1991) (as cited in Evans, 2011), retailers can implement a discount strategy (low price, low operating costs, limited facilities and service, price-sensitive customers), a medium strategy (average price, average operating costs, mid-level facilities and service, value and service conscious customers), or a high-end strategy (high prices, high operating costs, excellent facilities and service, upscale customers). Even though retailers can mix elements from each strategy, one can associate all three strategies with different retail chains. Traditionally, each strategy requires trade-offs with regards to service, products on offer, location and profit margins, as well as the importance of retailers to be able to demonstrate differences from other retailers with different strategies (Evans, 2011). In order to propose what could be a viable marketing strategy for Kystens Mathus, to become a commercial success, the marketing strategy set-up presented in the theory section will be

used; segmenting the target market, establish a retail format and construct a retail offer (the marketing mix), and build and potentially exploit competitive advantages.

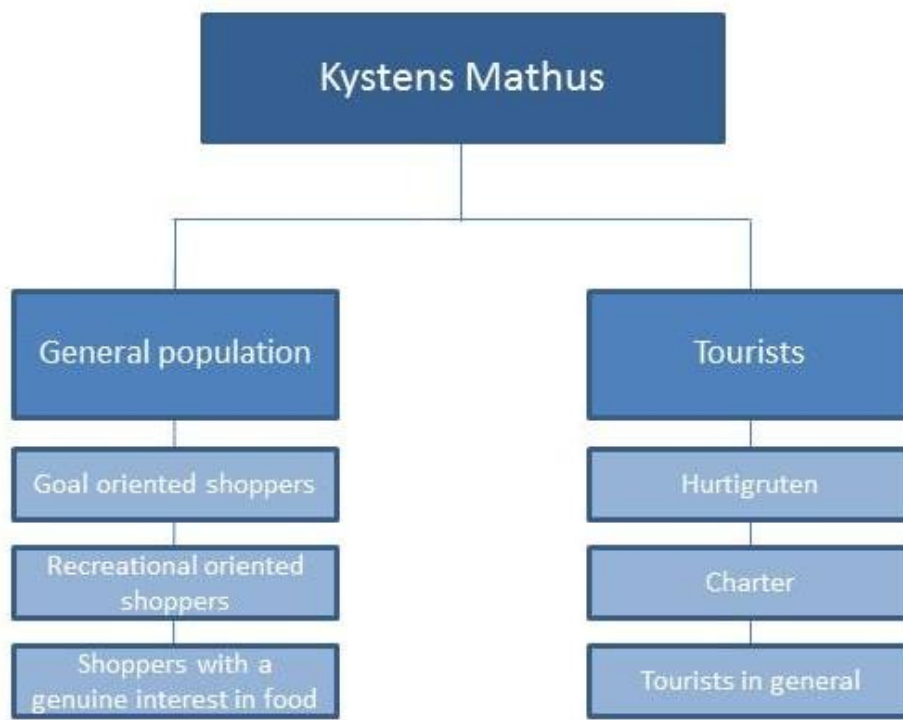
### **Segmentation**

Despite the food hall will most likely be of an exclusive manner, one can argue that the customer base will consist of several segments as several price levels and product categories should be present. With this in mind, one can map out the customer segments as following.

Based on the primary data collected, one can argue that in terms of demographics, aspects such as age, gender and income level will not have any major implications in terms of user segments. Even though the notion of an ageing population (Kotler, et.al, 2008; Sarkissian, 1989) implies that the age groups 35-44, 45-54 and 55-64 are growing larger, which results in a population which have more disposable income (Bell, et.al, 1997), less expenses, as well as being more focused on quality, food trends are easily adapted through a wide range of age groups. The data collected shows this, as well as underlining that Kystens Mathus could also be a place for families.

Therefore, one can argue that the customer segments, which can be defined at the current state, consists of people who are interested in food, especially in high quality food, as well as having a food related experience. In addition to this, customer segments consist also of people who are willing to use the food hall on a regular basis, as well as perceive the usage of it as well spent money. No evidence was found that demographic variables such as age, gender, and income level would have any major impacts on the user segmentation.





## Marketing mix strategy proposal

### Product is key

Product assortment will be key to a diverse and sought after food hall. This implies that Kystens Mathus should meet customer expectations in order to be a success. As the focus groups highlighted, there should be a wide variety of high quality food products from Northern Norway, especially within the meat and seafood category. This can be related to Guerrero, et.al (2009) who argues that a genre of food products are traditional food products, which are products recognised by customers as having regional identity as well as sensory quality. It is essential that Kystens Mathus is able to source products of a local and regional scope, which would be difficult to buy anywhere else in Tromsø retail sector. It is also important to have common seasonal and supplementary products, as one can argue that it will be the mix of the common and unique products, which potentially will create long run success. The uniqueness of product range and assortment, quality and reliability was emphasised on by the focus group participants, and should be taken into account.

## **Pricing strategy**

There is a wide acceptance that price has traditionally been used as a main differentiator in the retail sector. This, however, have mostly been in relation with the retail chains, where product assortment are more similar, where the only other differentiator apart from price has been product branding (e.g. Ailawadi and Keller, 2004) implying the importance of store- and manufacturers brand (Dawson, et.al, 2008). Varley (2005) argues that price in the retail context is less important as this sector is highly product driven. Relating this to Kystens Mathus, it is evident that high quality products often mean a higher, exclusive price segment. As Kystens Mathus to a high degree will source locally and specialised products, it would be difficult to argue towards a lower price segment. High quality products often mean a higher price. However, as mentioned in the above paragraph, not only highly specialised products should be available in the food hall. Seasonal and supplementary products should be available in order to create a diverse product range. However, the price should vary between regular retail price levels, for the seasonal and supplementary products, to the more exclusive priced products. This will not only provide a diverse offering, but also potentially attracting a wider range of customers, also those who are more price sensitive. Even though it is difficult to fully assess the most suitable pricing strategy, one can argue that the food hall will not and should not implement common pricing strategies such as HI/LO or EDLP. It is believable that price will not be a major factor in terms of the food hall being successful or not. The data collected in the focus groups support this as one can predict and argue that customers willing to use Kystens Mathus care less about price compared discount-retailer shoppers. Regardless of the willingness to pay a premium price, price setting is important for a retailer. Aspects such as product, place and promotion creates value for customers, whereas price, captures the value in monetary terms for customers (Grewal, et.al, 2009).

## **Location, in-store design, and atmosphere**

One can argue that the food hall will be located in one of the most central locations on the high street in Tromsø. There are several reasons for this, first of all due to the potential impact and awareness Kystens Hus will create, secondly it is believable that Kystens Hus and the food hall as brands will be subject to solid brand awareness, thirdly, the heritage of the high street location is well-known within a major part of Tromsø's population due to the iconic building which was previously situated on the property (Domusgården) and fourthly, the previously fishery-related retail activity in the area. From a theoretical perspective, this is

favourable as Jain and Bagdare (2009); Ghosh and Craig (1983) argue that a good location increases retail performance and the overall consumer convenience.

In addition to the above, the location is always the least adoptable aspect in a marketing strategy. However, the physical location is highly favourable both in relation to the high-street, tourists, people who work in town, recreational shoppers as well as for those who specifically wants to pay a visit to the food hall. Moreover, place does not only relate to the physical location. As outlined in the theory section, place also refers to supply channels, and more importantly, to the store atmosphere. Here, aspects such as colours, store layout, shelving, and lights are important.

The primary data collected are especially favourable towards the physical location. In terms of store layout and design, words such as modern, representable and attractive, convenient, visible signage, and modern and future oriented are used in order to communicate expectations. This implies that it is important to choose a design and layout, which both represents a modern food hall, as well as provides easiness of use for the customers. Such a strategy could potentially support the social environment which directly relates to the experience perceived by customers (Verhoef, et.al, 2009). In addition, the atmospheric design, and its tangible and intangible aspects can alter consumer experience (Puccinelli, et.al, 2009), implying that it is important to create a store atmosphere which a large percentage of the customers are favourable towards.

### **Promotional strategy**

Promotional activities must be of such a nature that it not only supports the pricing strategy, but also communicates product value, in-store activities, and seasonal activities, by utilising a multi-channel strategy, in other words, formulating a cross-promotional strategy (Shankar, et.al, 2011). Such a strategy can be based on both online and offline promotion (e.g. direct mail, Facebook, webpage, flyers, newsletters, and informative menu boards). The importance of this is that the food hall should aim towards influencing shoppers at the right time in their shopping cycle, which can be achieved by promoting through the right channel to the right shoppers (Shankar, et.al, 2011). In accordance with the focus groups, there is a favourable tendency towards social media promotions and magazines- both by mail, email and available in store. Potential customers are expecting to be given the opportunity to be frequently updated on new products, seasonal varieties and interesting recipes. One can argue that such promotional tools are essential in terms of creating the overall customer experience.

## **Service quality**

As previously discussed, retailers can be seen as service providers, which implies that the staff is a vital part of the service. This creates an opportunity for the food hall to provide such a customer service that stimulates customers to repeated visit behaviour. As emphasised on by the focus groups, service is essential and it is expected to be of a high quality. This is due to that a pricing strategy creates expectations in other areas, such as service level. For a high quality food hall such as Kystens Mathus, being able to provide a quality service to customers throughout the opening hours is of outmost importance. This means that the staff must have training in being service minded, have the ability to suggest different products in order to compose a meal, as well as the ability to understand customer needs and wants.

It is evident that the service quality obtained by the staff in Kystens Mathus must be of a higher level. A common tool in service measurement is SERVQUAL, which assesses customer perceptions of the service quality delivered by service providers and retailers (Parasuraman, et.al, 1988). SERVQUAL measures service quality over five dimensions (Parasuraman, et.al, 1988, p. 23).

*“Tangibles: Physical facilities, equipment, and appearance of personnel.*

*Reliability: Ability to perform the promised service dependability and accurately.*

*Responsiveness: Willingness to help customer and provide prompt service.*

*Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.*

*Empathy: Caring, individualized attention the firm provides its customers”*

There is no doubt that Kystens Mathus should use this as a tool and a measurement in order to be able to maintain a suitable and expected service level and service quality.

## **Brand and brand image**

The theory section highlighted the importance of branding, brand name, and brand logo in the creation of brand equity. For Kystens Mathus a key aspect to long-term success is to create brand value, leading consumers to favour the brand as strong with adequate attributes that can be distinguished and favoured in relation to competitive brands (Lassar et.al, 1995).

According to Baldinger and Rubinson (1996), brand loyalty is such an important concept that

it is often considered to be the core of a brand equity model. Consumers displaying brand loyalty will under any circumstances be more confident towards the brands' products, i.e. performance level and preferable attributes, as well as being more willing to pay a premium price for a product (Baldinger and Rubinson, 1996).

This has several implications, first, this leads to the fact that the brand can be positioned as a more high-end brand, earning an exclusive reputation amongst its consumers and competitors. On the other hand, this also implies that consumers of a brand may feel more connected to the brand due to a loyalty status. There is also a long-term implication to this. One can assume that Kystens Mathus will develop as a retailer over the coming years and a high brand loyalty results in customers being more adaptive towards brand extensions (Lassar, et.al, 1995). This means that if the branding management is done properly, by placing the brand in the mind of the consumers, disadvantages towards product extensions will diminish.

However, the primary research conducted shows that branding issues are currently difficult to comment on. The results are inconclusive with regards to a favourable brand name, but there is a consensus that a nick-name for the food hall will most likely occur sometime after the opening, which will be used when referring to either the food hall or to Kystens Hus in general.

### **Competitive advantage- Creating a unique customer experience**

The final section in a marketing strategy is to build and exploit any competitive advantages. It is difficult to fully assess any competitive advantages this early in the development of Kystens Mathus. However, one can theorise that such advantages could, and most likely should revolve around creating unique customer experiences. As previously discussed, several aspects in combination results in customer experiences and in terms of Kystens Mathus, it is evident that the construction of the segmentation, marketing mix, and branding results in expected and perceived customer experience. In order to be successful in the long run, Kystens Mathus must be able to create such a good experience that it stimulates to a repeated visit and purchase behaviour.

The entire retail offer must meet customer expectations in order to stimulate repeated visits. In accordance with the primary data collected, customers and visitors should be able to see, smell, and taste products as well as learning about different products and areas of usage. Experiences created should have a relation to Northern Norway, for example drying fish or meat on site, which will provide additional experiences. Furthermore, details must be in focus

in order to differentiate the food hall from other specialist retailers. Experiences obtained should build associations with the region, with quality and premium products and service levels and an interesting store environment. In addition, an important notion is the possibility to add value to the overall customer experience and customer base by creating a food hall, which is children and family friendly.

### **Competitive advantage- Customer value**

This article has shown that it is difficult to accurately predict a marketing strategy for a retailer, which is not only based on a unique concept, but also is still under development. However, the literature reviewed shows that value creation can be based on the marketing mix, branding, and the creation of customer experiences. There is no doubt that Kystens Mathus as a potential successful retailer must not only meet and hopefully exceed customer expectations, it must also create an arena where customers perceive the value received as superior.

A question that must be asked is where the value is created. The primary research conducted shows that the respondents expect a retail offer which is above par, implying that customers would potentially expect superior customer value. As aforementioned, price has been a classic tool for value creation. However, Kystens Mathus' potential price strategy shows that even though some products might be competitively priced, overall prices will be of a more exclusive manner, which implies that customers will expect superior value due to price levels. Therefore, the obvious answer to the question is that for Kystens Mathus, the entire retail offer will be the base for value creation. If products on offer are unique, difficult to source elsewhere and of high quality, value could be created. If the promotional activities undertaken make it easy for customers to get access to interesting, needed, or important information, value is created. If the service level exceeds the expectations already set for example due to price levels, value is created. In addition to this, the previous section argues that creating unique customer experiences is highly important. Customer experience creation can be said to go hand in hand with value creation, since a unique customer experience will result in value-added for customers. In line with this is also the importance for customers and visitors to be able to get their senses stimulated by being able to look, smell, and taste products. Such options can provide and create a solid and unique experience as well as creating additional value.

Predicting what will be the most important factors for value creation in Kystens Mathus is only possible from a theoretical standpoint. Interesting questions to ask, are to what extent the food hall makes the everyday life for customers easier, to what extent the food hall affects shopping behaviour, to what extent customers feel entertained during a visit, and to what extent customers feel they learn about food or get access to food related hints and tips. Answering these questions provide sources which can add value to the retail offer. However, since the retailer is still under development, such questions, among others, are difficult to answer at the present time. Despite this, value-added is a fundamental part in marketing strategy, which implies that any business should be aware of to what extent value, is created, or to the extent there is a lack of value creation. Value creation as a competitive advantage should be, if possible, sustainable as well as exploitable.

### ***Implications for management and policy***

There is no doubt that retailing and marketing strategy is interlinked. Throughout this article, evidence supporting the importance of not only a marketing strategy, but a sufficient and correct marketing strategy is evident. Moreover, as retailers differ for example in terms of business activities, e.g. supermarkets vs. specialist retailers, different strategies must be constructed. In addition to this, marketing strategy both influences and is influenced by the entire retail format. The retail format outlines the central aspects of a retailer, as well as the aspects, which create uniqueness and potential competitiveness. Any marketing strategy must be constructed and implemented in such a way that it can strengthen a retail format and retail offer as well as diminishing potential weaknesses.

One can based on this ask which implications this will have for Kystens Mathus. By analysing the expected retail offer, one can argue that it can be (and must be) regarded as robust. However, there will always be room for improvements when operating in the retail sector. Customer trends and perceptions change over time and a retailer will constantly be in threat of competitors and new entrants to the market. Despite Kystens Mathus as a retail format is brand new in Tromsø retail sector, the management consists of experienced actors. This implies that they do have prior knowledge to how a specialised retailer could and should be constructed and what a viable marketing strategy should be like.

Throughout this article, one gets the notion of the importance of creating unique customers experiences as well as value creation. In this article, this has been highlighted as the main competitive advantages, and it is of importance that the management take this into

consideration. If Kystens Mathus cannot be successful solely on products and service, aspects such as customer experiences and value-added can be a truly differentiator for the food hall in comparison to other retailers.

When creating a marketing strategy, two important aspects must be taken into consideration. Firstly, one must have the ability to analyse the market in order to construct and implement a solid strategy. Secondly, one must be able to adapt and improve the strategy over time, and often in a fast moving market place. For Kystens Mathus, this implies that risk and uncertainties exists for both aspects. Firstly since the retail format has never before existed in Tromsø, indicating a challenge in constructing the right strategy, and secondly, effort must be in place in order to examine and foresee market changes, as well as being able to adapt to them. It can be difficult to predict how the market will respond to such a unique retail format as Kystens Mathus.

### ***Conclusion, limitations, and future research***

In conclusion, this article has reviewed marketing and retail marketing theory in order to examine what could be a viable marketing strategy for Kystens Mathus, to become a commercial success. Retail marketing strategy includes establishing the target market, i.e. segmenting customers, establish a retail format and retail offer (i.e. the marketing mix) in order to target customers, and if possible, build and maintain sustainable competitive advantages, suitable for exploitation.

In order to propose a viable marketing strategy suitable for Kystens Mathus, primary data was collected during two focus groups consisting of potential customers. Data collected here underbuilds the initial expectations, as the results show that product range and product quality are important. Price, however, turned out to be of less importance. On the other hand, aspects such as service proved highly important, implying that service quality in combination of creating unique customer experiences are key to long-term success for Kystens Mathus. Concerning promotions, both online and offline promotions were favoured.

Therefore, a viable marketing strategy must target customer segments consisting of people who are interested in food, especially in high quality food products. In terms of the marketing mix, products should be of a local and regional scope, difficult to buy anywhere else in Tromsø. It is also important to have common seasonal and supplementary products. Price strategy should vary between regular retail price levels, to the more exclusive priced products,



depending on product category. In-store design and layout should represent a modern food hall, as well as providing easiness of use for the customers. Promotional activities should communicate product value, in-store- and seasonal activities, by utilising a multi-channel strategy, based on online and offline promotions. Service level should be of a high quality, provided to customers throughout the opening hours. The brand should be strong with adequate attributes that can be distinguished and favoured in relation to competitive brands.

Creating customer experiences are highly important, and should be created by means of the entire retail offer. Kystens Mathus must be able to create such a good experience that it stimulates to repeated visit and purchase behaviour. Customers and visitors should be able to look, smell, and taste products as well as learning about different products and areas of usage. The entire retail offer (i.e. the marketing mix) will be the base for value creation. Perhaps most important will be the service -level and -quality. Customer experiences can also result in the creation of customer value. One can argue that superior customer experiences and customer value is not only a potential key to success, but for a retailer such as Kystens Mathus, it can also be regarded as competitive advantages.

In terms of limitations, one can argue that it is difficult to predict and suggest a viable strategy since Kystens Mathus will not be open for business until July 2015. Currently, limited information of what the food hall will be and will not be, aimed towards customers, is available. Therefore, current customer expectations can be influenced when updated information and concept plans are made available for the public. In spite of this, one can argue that this article provides value since the suggested strategy has been constructed on the basis of primary and secondary data.

There is no doubt that the main area for future research is to continue this research after the food hall has opened for business. Here, possibilities are for both a qualitative research which can be compared and measured against this article, as well as a quantitative research in order to capture data from a wide range of customers, for example in order to measure the level of success achieved by Kystens Mathus. An additional area of further research is to examine what really differentiates the food hall from other specialised retailers in the mind of the consumers. This can potentially provide information towards a strategic model on how retailers such as Kystens Mathus can become a commercial success.

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## ***Appendix: Research data***

The paragraphs presented below highlights the most important and central information collected during the focus groups. The same list of topics was addressed in each group.

### **1. Customer base, customer segments, demographics**

**A:** People who have a genuine interest towards cooking, fresh food products and are interested in quality; Potentially people with higher education due to higher disposable income and more time available; Potentially suited for people in the age group 40+.

**B:** Difficult to predict demographics; Age probably not an important factor; One expect to pay more for specialised products, and therefore, people interested in food will go there, regardless of age and income level; People who care about quality.

**C:** People interested in cooking fresh food; More interested in fresh food than frozen food.

**D:** Residential growth in the city centre means more people shopping on the high street; Customers who tries to avoid shopping too much at regular retailers (Spar, Coop, etc.).

**E:** People who spend a lot of time in town, either due to work or they live close by; Daily shoppers, but those who are more focused on quality.

**F:** People who rely on public transport; Younger people and older people, but older people probably more eager to travel to town during weekdays; Tourist; Wide range of customers, everybody except those who only hop in bulk.

### **2. Product range, assortment, product sector**

**A:** Everything must be an experience- maybe one can choose which piece of meat one wants to get minced; Good assortment within seafood, meat, dairy, etc.; Assortment should not be too wide; Seasonal varieties important.

**B:** Products which cannot be sourced elsewhere; Must be from Northern Norway; High quality; Short travelled products; wide product assortment; Easy to try something new.

**C:** Should be a wide range of products; Weekly offers; Product of the day.

**D:** Focus on seafood, but with a wide variety of other products; Local seafood- and meat products; Local produce which can be combined with the seafood or meat; Quality is key;

Focus should be on local products; Something to take on-the-go, ready meals, but made of quality products; Products from Northern Norway.

**E:** Fish, meat; Wide variety of product groups; Toddler/children friendly food; A mix between products which can be consumed on site and to be prepared at home; High quality fresh food products.

**F:** Wide assortment important; Coastal and Northern Norway related products; Meat products from reindeer, moose, seal, whale; Good local produce; Not only specialised products, also common products suitable for everyday use; Products which can be consumed on-the-go.

### **3. Pricing; low, medium, high**

**A:** Are willing to pay a premium price if quality perceptions are met; More sensitive to price when doing everyday shopping, but would be less in a place like the food hall.

**B:** Expects and are willing to pay a premium price; “Common” seasonal products should have a regular price.

**C:** Usually price sensitive, but willing to pay more if quality dictates it; With high price the total experience is important.

**D:** High price levels expected due to many customers will belong to the segment with high income; But a too high price would be negative.

**E:** High price expected; Everyday food and prices must also be present

**F:** The entire price spectre should be used in order to differentiate products and quality; Price should be significantly higher compared to specialised products on offer in retail chains.

### **4. Service quality, level of service, expected service**

**A:** Service level is expected to be high; Employees have to do more than just sell food products; Allocated space to sit down, relax and eat.

**B:** High level of service expected; Expects to get tips, recipes, product knowledge from employees; Able to get the product/meal prepared on site while watching and interacting; Courses teaching you to cook using local ingredients.



**C:** Employees should be able to give ideas towards composing a meal; Expects customer involvement.

**D:** Service level which justifies price level and general expectations; Product knowledge and the ability to identify needs and suggest meal compositions; Be able to look, smell, taste and experience the products.

**E:** Many customers might not know which products they are looking for, employees must be able to identify customer needs; Substantially better service level compared to retail chains.

**F:** Should know everything there is to know about the products on offer; Employees should be able to give advices and recipes to customers; Employees with sufficient product knowledge must also be present after 4pm; Employees must take care of their customers.

### **5. Promotions- product information, special offers, news**

**A:** Seasonal magazines delivered by mail; Use social media as much as possible; No apps.

**B:** Email promotions are usually a hassle, however, due to the food hall being such a special retailer, it would be OK with email newsletters.

**C:** Any retail promotions should be visible from the street; Use black board and posters; A food hall magazine available inside the food hall; Not too much social media promotions; Live streaming from the food hall, cooking a meal a special feature of a producer; Weekly producer promotions.

**D:** Social media should be used as much as possible; Less paper based promotions the better; Communication must not be overwhelming (i.e. xxl sales paper each week).

**E:** Optional newsletter subscriptions; In store magazine containing product/manufacturer information and recipes, a new magazine for each season.

**F:** Facebook, email; ability to choose to be informed via multiple channels; when purchasing a product, one could be given a small card containing information and recipe; Informative webpage, informing about special offers, seasonal products, new products in stock, etc., could also use Facebook or Twitter for this.

### **6. In-store design**

**A:** Modern, but with associations to a classic/vintage look, for example with fishing nets, etc.

**B:** Convenient; Children friendly; Rustic/classic look which easily can be associated with Northern Norway.

**C:** A design which is representable and attractive to the younger generation; No hassle/no frill to be oriented inside during the stay; A counter where one can buy food on-the-go.

**D:** Attractive design and shelf layout which makes it easy to manoeuvre around; Easy to allocate the products one is looking for

**E:** Stylish; attractive; convenient to pay a visit; light colours; Visible signs where different product categories are allocated.

**F:** Modern and future oriented layout and design; Convenient product/selling allocation; Easy to make your way around the food hall.

#### **7. Pros/cons in relation to location on the high street**

**A:** Positive implications for the high street; If looking for something special for the weekend, it is easy to prioritize a trip to the food hall; Not attractive to pay a visit for more regular groceries; Perfect for those who are employed in town; Location provides credibility towards the concept due to the history of the location.

**B:** Weekdays not attractive to travel to town; If the food hall provides a good experience, a perfect place to spend Saturday afternoon; The high street need specialist retailers

**C:** For people relying on public transport, the food hall is perfect for weekday visits; Location can provide the shopping trip to undergo quickly and easily.

**D:** Perfect location, close to the sea and the coast; The waterfront promenade will provide a natural flow of people.

**E:** Ideal location with regards to for commuting traffic and public transport; A lot of business and offices located nearby.

**F:** Good location also in regards to history as the area is known for extended fish trading; good location with regards to the commuting traffic; no parking in close proximity negative.

## **8. Branding; implications, Kystens Mathus vs. Kystens Hus**

**A:** Food hall or Mathuset gives associations what it is; Kystens Hus is more related to office space and business activities.

**B:** Food hall will be used most; but difficult to brand; “Everybody” know about the name food hall due to the food hall in Oslo; For tourists, food hall or Mathuset could be used.

**C:** The older generation might use Domus; Branding could be difficult due to a wide variety of user segments.

**D:** Difficult to brand; difficult to influence nickname adopted by the population.

**E:** Kystens Hus is already an established name, could be used; Difficult to predict.

**F:** A nickname used by the public will most likely be generated; Name/branding should be easy for the public to remember and recognise.

## **9. What it takes to get repeated visits and purchases**

**A:** The whole retail offer must meet expectations to stimulate repeated visits; Must be able to see, smell, taste, learn; No hassle to bring children; Must be to some extent children friendly.

**B:** Experiences which can be related to Northern Norway, for example drying fish or meat on site; Details must be focused upon in order to differentiate.

**C:** Location, product range, special offers, experiences, associations with the region, quality, premium service level, and an interesting store environment.

**D:** Reliable product quality and service; An overall good experience.

**E:** Reliable service stimulates to repeated visits.

**F:** No hassle of using the food hall in every aspect; Must be a goof experience; Reliable service; Trustworthy employees; reliable and flawless products.